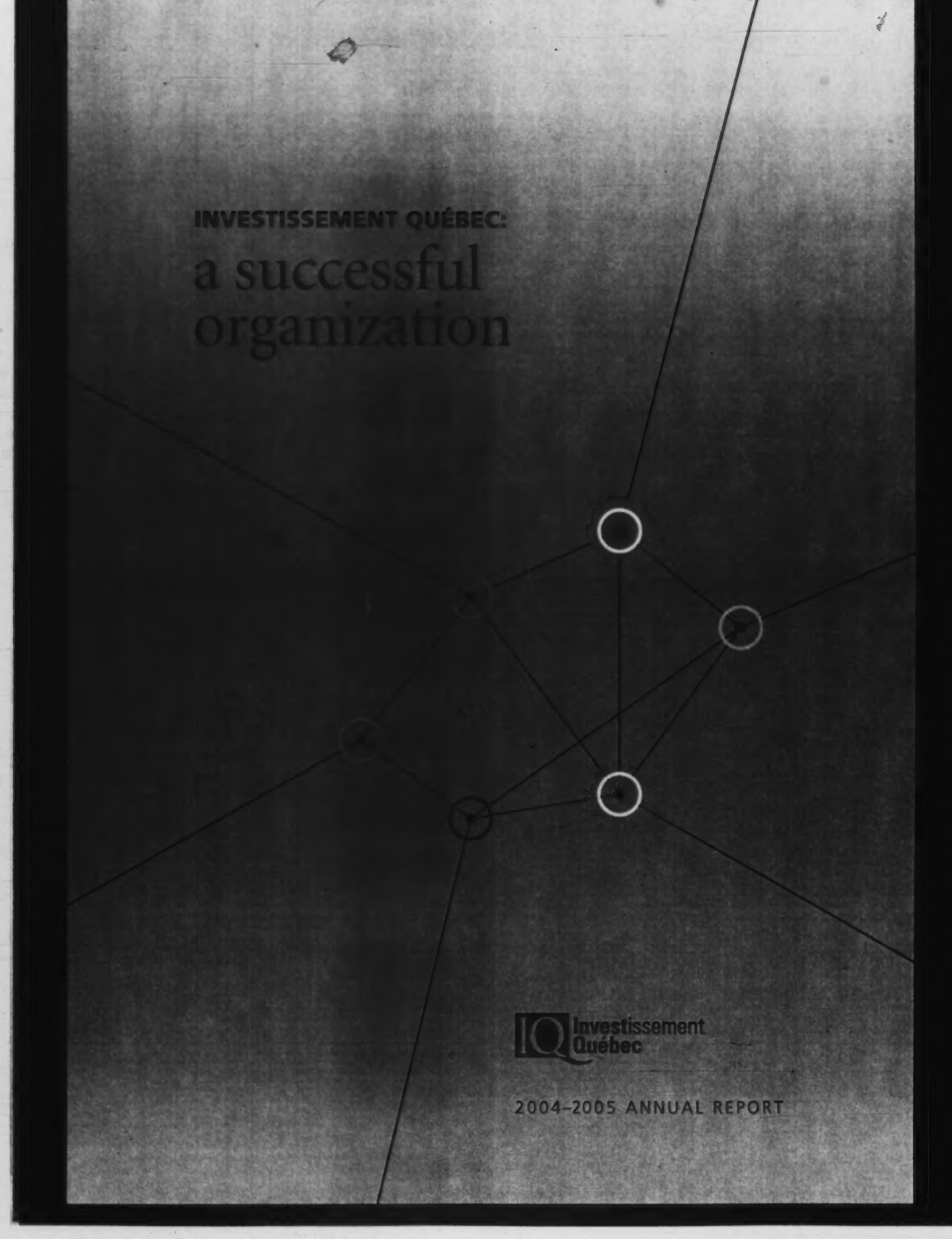

INVESTISSEMENT QUÉBEC: a successful organization

Investissement Québec

2004–2005 ANNUAL REPORT

Table of Contents

4 Introduction
9 Corporate Profile
10 Highlights
12 Message from the President and Chief Executive Officer
14 Message from the Management Committee

17 Overall Review of Financing Operations
18 Overall Results
19 Results by Administrative Region
20 Results by Economic Sector
21 Results by Type of Financing Operation

23 Detailed Review of Operations and Results
25 Orientation 1: Encouraging SMBs to Invest and Create Jobs
27 Orientation 2: Managing Economic Development Tools
35 Orientation 3: Improving Performance
38 Orientation 4: Optimizing Client Service

41 Management
42 Corporate Governance and Organizational Structure
46 Management Instruments
47 Risk Management
49 Human Resources

51 Financial Information
53 Financial Review by Management
56 Financial Statements

89 Additional Information
92 Economic Impact
101 Financing and Fiscal Products Managed by Investissement Québec
103 Changes During the Year
104 Code of Ethics of the Board of Directors
106 Statements Related to Various Regulations
107 List of Investissement Québec Service Outlets

Table of Contents

4 Introduction
9 Corporate Profile
10 Highlights
12 Message from the President and Chief Executive Officer
14 Message from the Management Committee

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19 Results by Administrative Region
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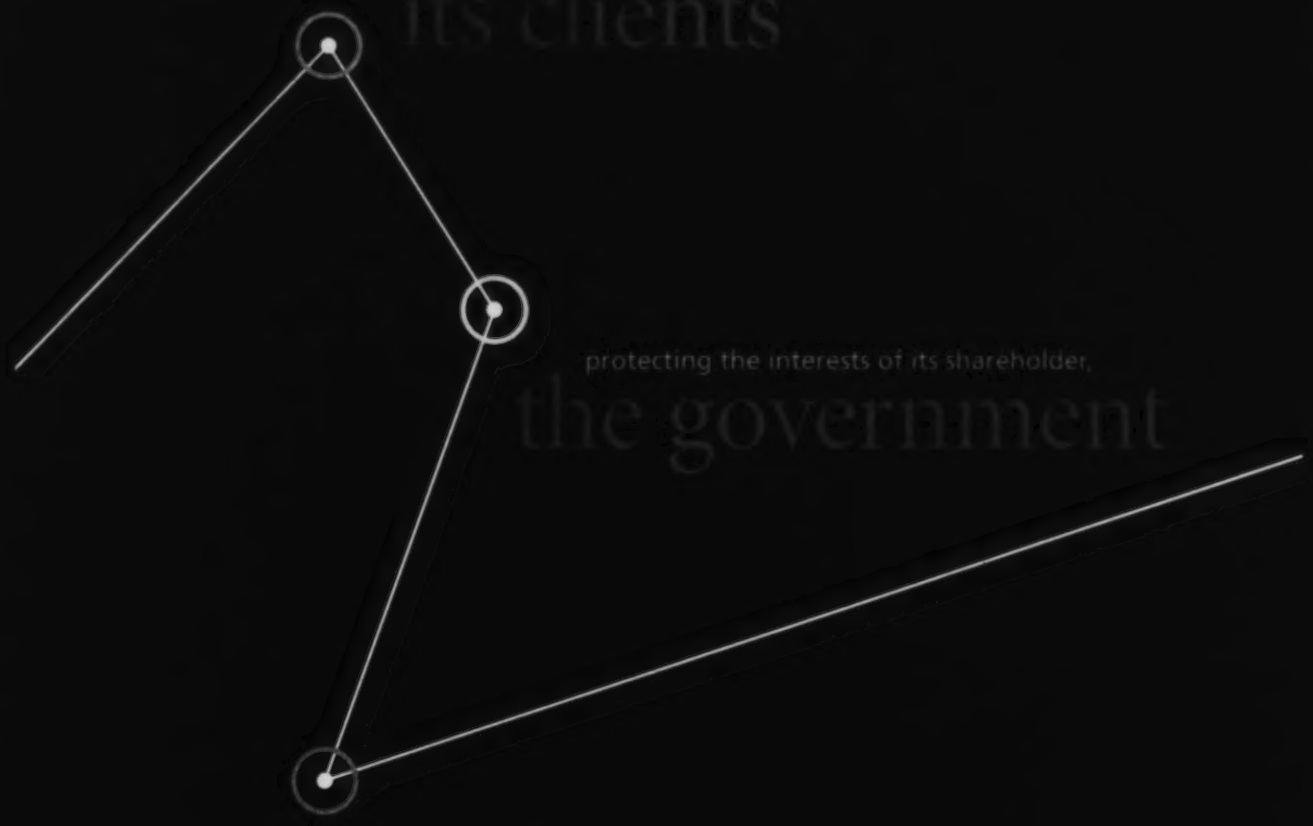
Investissement Québec: a successful organization

serving entrepreneurs,

its clients



protecting the interests of its shareholder,

the government

relying on the know-how of

its employees

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Ce rapport est aussi disponible en français.

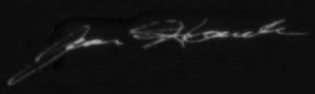
Statement from the President and Chief Executive Officer

The information contained in this annual report is my responsibility. This responsibility includes the reliability of the data and the related controls.

The results and data disclosed in Investissement Québec's 2004–2005 annual report:

- describe faithfully the mission, mandates and values of the Corporation;
- present the objectives, indicators and results;
- present accurate and reliable data.

I declare that the data contained in this annual report, as well as the related controls, are reliable and that they reflect the situation as it existed on March 31, 2005.



Jean Houde
President and Chief Executive Officer

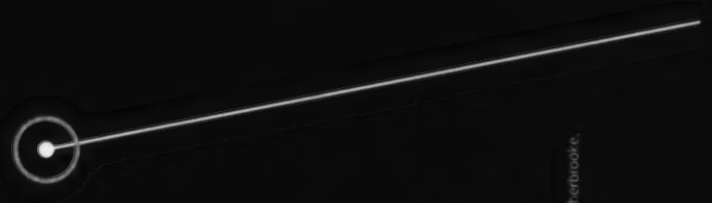
Québec City, May 31, 2005

Introduction

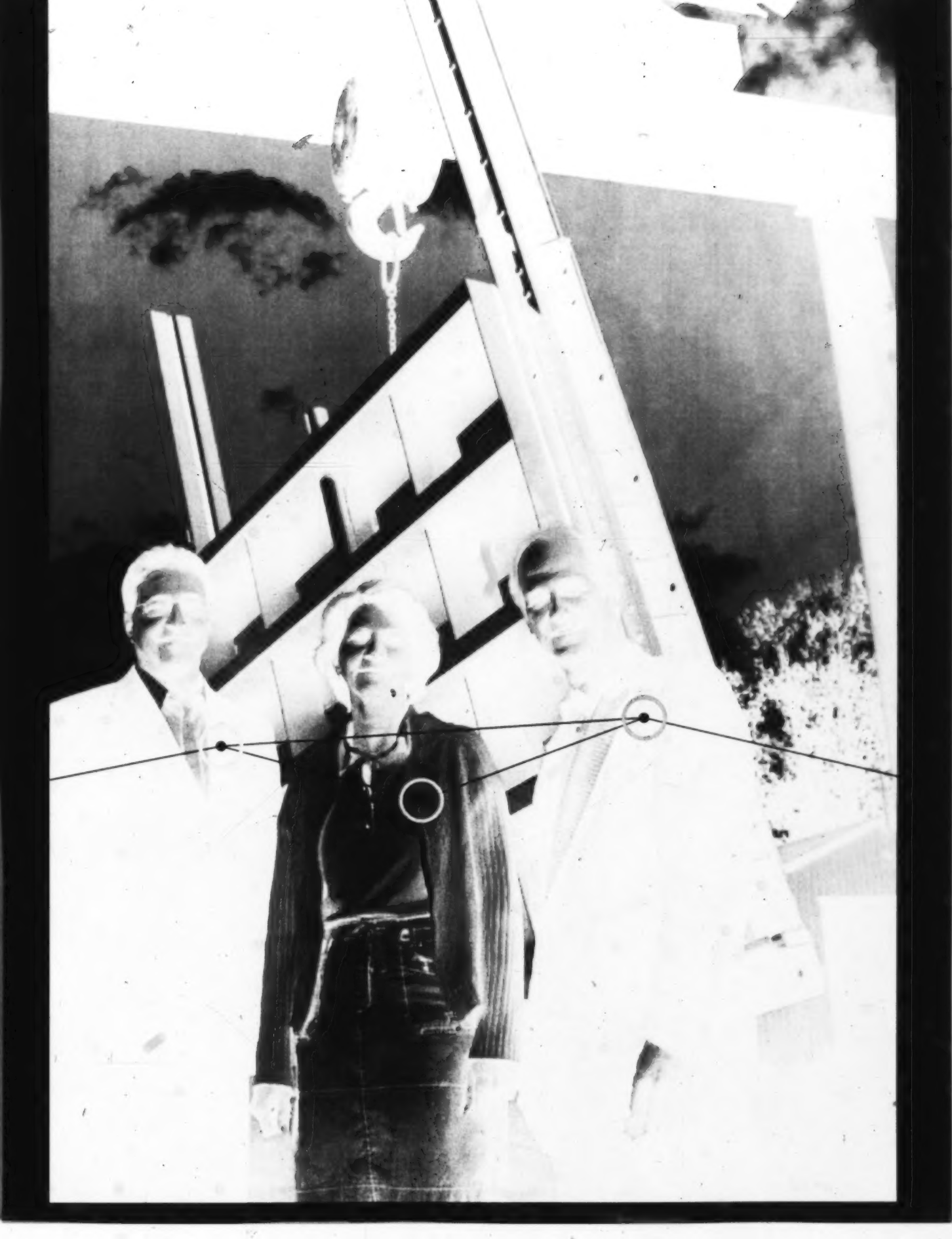
Domenico Baldino, Pierre Cloutier, Johanne Filion and Marcellin Labrecque, Investissement Québec, Montréal

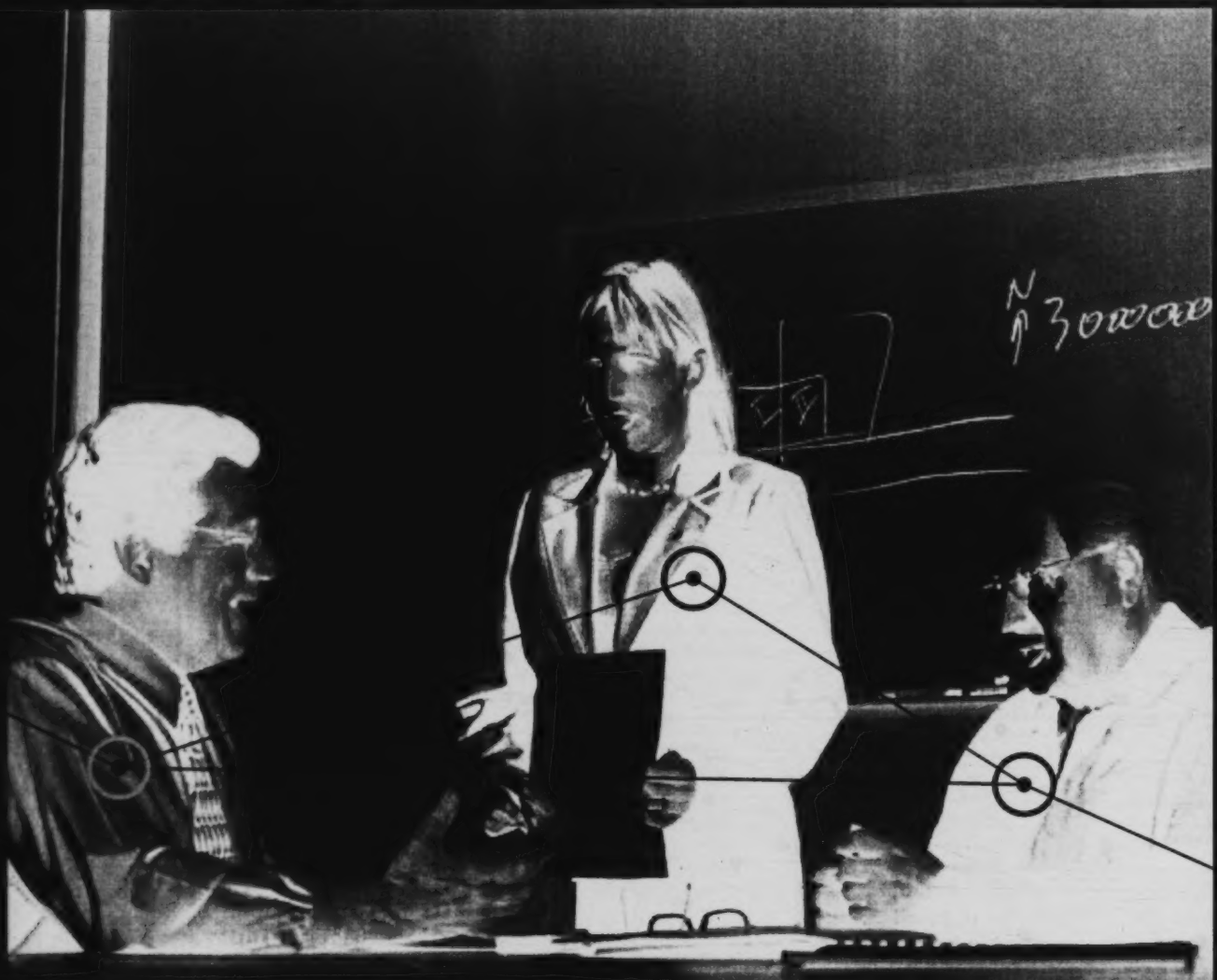
Offering Complementary Financing

When steel valve manufacturer H. Fontaine decided, in 2004, to invest $1 million to increase its exports to the United States and Europe, it turned to Investissement Québec. It was granted a loan repayment guarantee allowing it to purchase equipment, increase its productivity and open subsidiaries in Ireland, England, France and Brazil. Also with Investissement Québec's support, the company was able to increase its export line of credit by $1.5 million and thereby step up its marketing and expansion efforts in Europe.



Serge Parenteau, Investissement Québec, Sherbrooke, Hélène and André Fontaine, H. Fontaine





Services

ssement Québec's
Jérôme to meet with
This regional initiative is
he CLD Rivière-du-Nord,
Québec to pool their expertise
cal clientele.

Claude Robichaud, CLD des Moulins, Terrebonne;
Lydia Paré and Gilbert Azoulay, Investissement Québec, Laval

Corporate Profile

Mission

Promote investment growth in Quebec and thus contribute to economic development and job creation.

Vision

Be recognized as a successful organization by our clients, the government and our employees.

Values

Competence, team spirit and initiative.

Trust, openness and efficiency, the underpinnings of our client service.

Effectiveness, rigour and transparency in management.

Scope of Activities

We offer financial products that complement those of private or public financial institutions.

We manage economic development tools on behalf of the government.

We offer expertise in the area of financing and fiscal measures.

We offer expertise in the area of international prospecting.

Clientele

Companies

Investors

Government departments and agencies

Partners

Financial institutions

Government departments and agencies

Regional or sector-based associations

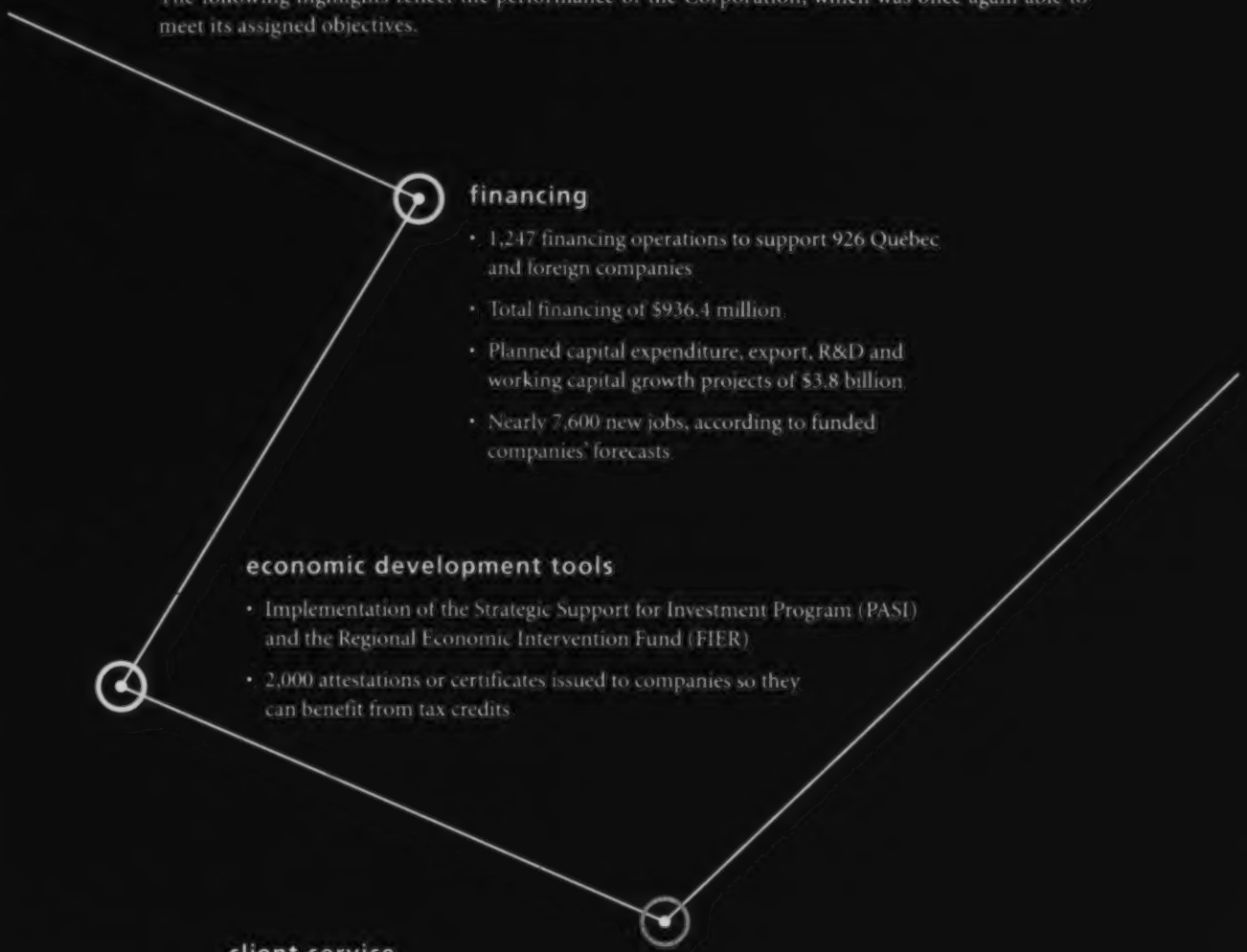
Cooperative movement

Social economy organizations

Venture capital corporations

Highlights

Investissement Québec has long been a major partner in Québec's economic development. The types of projects it helped implement in 2004–2005 were aimed at starting up new companies, increasing productivity and competitiveness, conquering new markets and supporting innovation. The following highlights reflect the performance of the Corporation, which was once again able to meet its assigned objectives.



financing

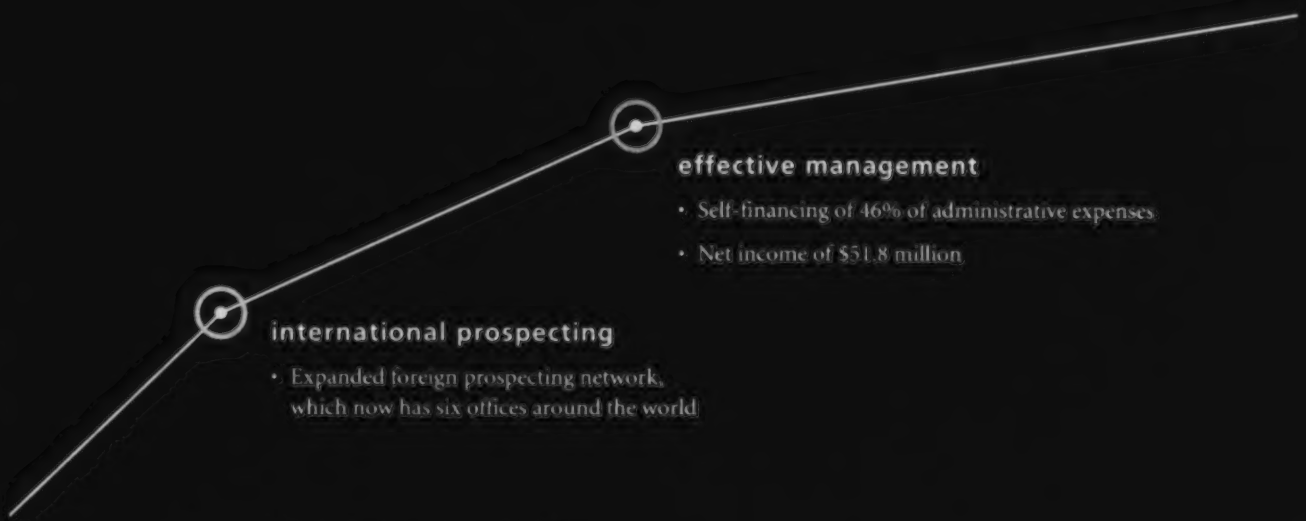
- 1,247 financing operations to support 926 Québec and foreign companies
- Total financing of $936.4 million
- Planned capital expenditure, export, R&D and working capital growth projects of $3.8 billion
- Nearly 7,600 new jobs, according to funded companies' forecasts

economic development tools

- Implementation of the Strategic Support for Investment Program (PASI) and the Regional Economic Intervention Fund (FIER)
- 2,000 attestations or certificates issued to companies so they can benefit from tax credits

client service

- 90% of clients satisfied with the services received
- 90% of financial partners satisfied with their relationship with Investissement Québec
- 95% of financing operations approved and managed regionally



effective management

- Self-financing of 46% of administrative expenses
- Net income of $51.8 million

international prospecting

- Expanded foreign prospecting network, which now has six offices around the world

Summary of Authorized Financing in 2004–2005

	Complementary Financing	Economic Development Tools	Total
Financing operations	772	475	1,247
Financing granted	$250.6 M	$685.8 M	$936.4 M
Declared value of projects	$846.6 M	$2,949.0 M	$3,795.6 M
New jobs declared[1]	3,829	3,762	7,591

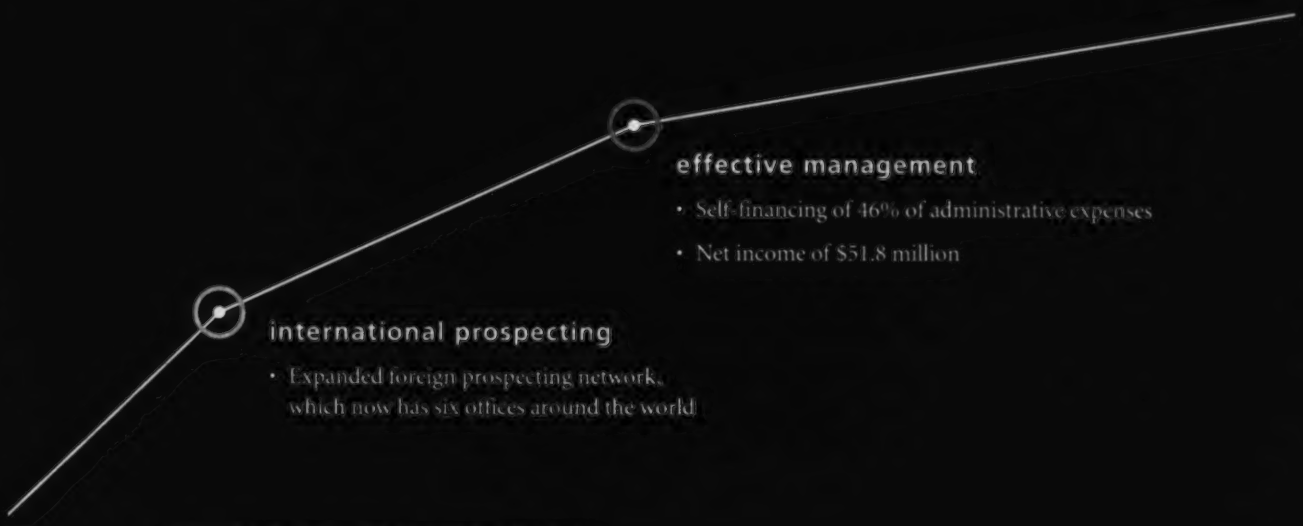
(1) According to forecasts provided by companies.

Summary of Other Activities in 2004–2005

Fiscal measures related to job creation	
New certificates and attestations	221
Attestation renewals	1,779
Total certificates and attestations issued	2,000
Foreign investments	
Number of projects	44
Declared value of projects	$507.0 M
New jobs declared	1,810
Recommendations for external organizations	82

Main Financial Results in 2004–2005

Value of portfolio	$3,296.1 M
Net income	$51.8 M
Equity	$279.0 M



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Message from the President and Chief Executive Officer

In 2004–2005, our results surpassed the stated objectives and our financing operations exceeded 1,200.

Our actions revolved around four main priorities: business development, risk management, service quality and self-financing of our administrative expenses. These substantive orientations laid the groundwork for our business plan, which was approved by the government in September 2004 and which provides a framework for our annual objectives in terms of financing companies, improving our financial performance, and enhancing the quality of client service.

We carried out 1,247 financing operations totalling $936 million, which far surpasses the objectives set out in the business plan tabled at the beginning of the fiscal year. The value of projects financed is estimated at $3.8 billion. According to funded companies' forecasts, these projects are expected to create nearly 7,600 jobs and preserve 49,000 jobs. We also continued our task as regards the administration of fiscal measures, issuing 2,000 attestations to eligible companies in all regions of Québec. This total includes 221 new attestations, two thirds of which were granted to companies located in resource regions. Moreover, two economic development tools were created to offer companies new sources of financing adapted to today's context: the Strategic Support for Investment Program (PASI) and the Regional Economic Intervention Fund (FIER).

With respect to international prospecting, we helped implement 44 foreign investment projects, for a total value of $507 million. We also deployed our teams abroad by opening five new offices. Professional prospectors are now posted within Québec delegations in Paris, London, Munich, New York, Chicago and Los Angeles.

As for Québec, we launched a business development operation which, over time, will allow us to considerably broaden our client base and better meet our clients' needs. We have also opened two offices in Anjou and Saint-Georges-de-Beauce to increase our presence in dynamic regions with strong investment potential.

When we tabled our new business plan, one of our goals was to significantly increase the self-financing ratio of our administrative expenses in order to reduce the government's participation in this regard. Our efforts paid off: Investissement Québec's revenues reached $175 million this year and we managed to finance 46% of our administrative expenses, a substantial improvement from last year. Given this momentum, we expect to cover these expenses in full within three years.

I am proud of these results, which reflect both the relevance of our mission and the quality of the work we do for companies. During this fiscal year, I was able to visit the regions and witness first-hand the impact of these two focal points of our actions. I met with more than 2,500 entrepreneurs, representatives of financial institutions, and other partners with whom we work on a daily basis.

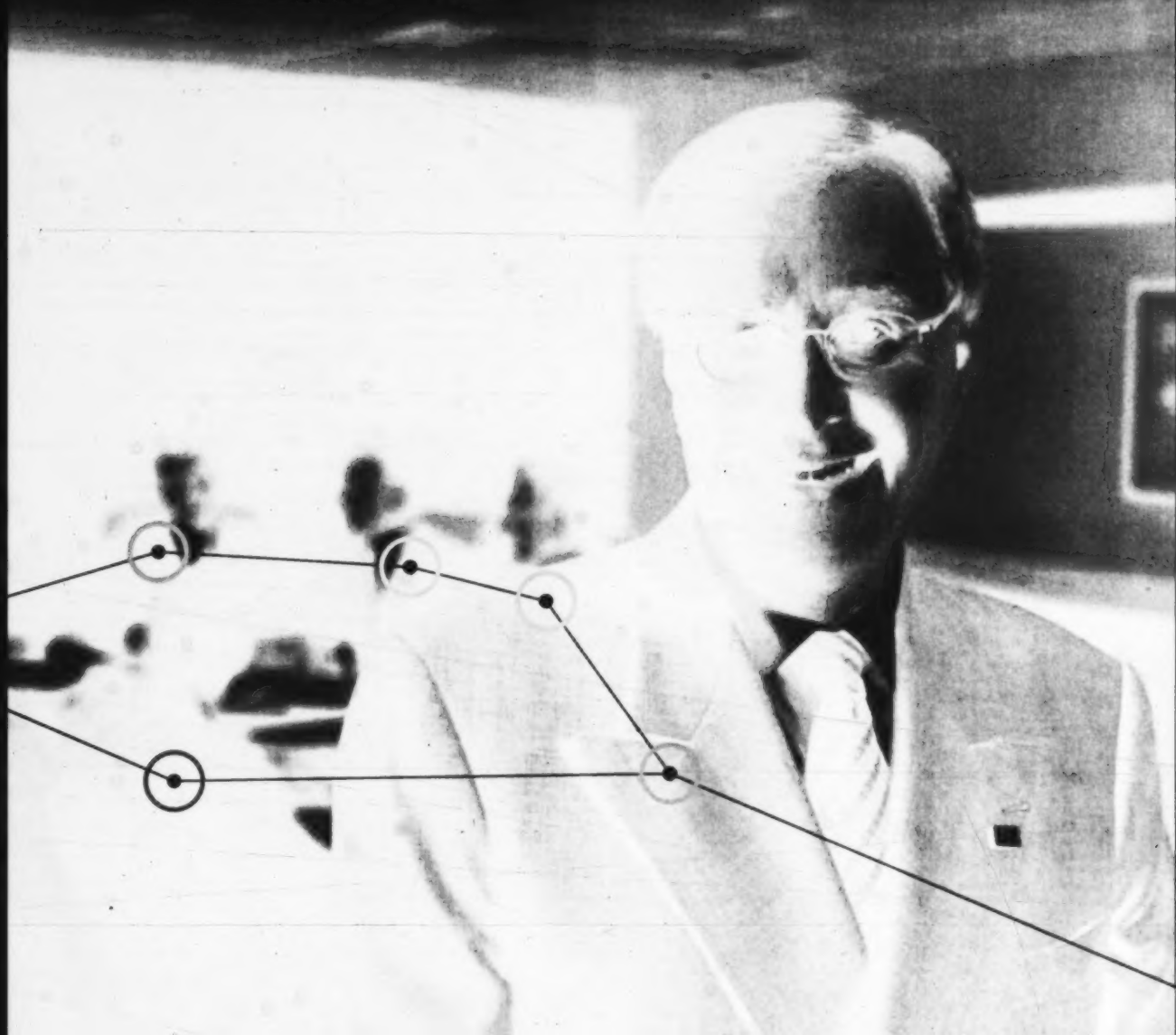
Many impressed on me that, even though Investissement Québec has been in existence since 1998, it is still not very well known. Several others cited the competence and professionalism of our specialists, one of the cornerstones of our success. The presence of efficient teams across Québec that are capable of making a difference in promising corporate projects explains the 90% satisfaction rate we obtain each year in our client satisfaction survey.

In 2005–2006, we will continue to pursue our four main orientations. We will intensify our business development efforts by applying an integrated strategy focusing on client needs and service quality. We will continue working to improve our financial performance and to achieve our administrative expenses self-financing objectives. We will strive to get employees even more involved in reaching the Corporation's objectives. Lastly, we will support the actions of our subsidiary IQ FIER inc. and the limited partnership FIER Partners, in order to ensure the success of the Regional Economic Intervention Fund.

During the year, Éric Bédard, Georges Felli, Marcel Leblanc and André Monette left the Corporation's Board of Directors. I would like to thank them for their devoted service and, at the same time, welcome the following new members: Mélanie Kau, Gilles Demers, Yves Lafrance and Michel R. Saint-Pierre.

Finally, I would like to acknowledge the vital contribution of the Management Committee and all the staff members of Investissement Québec. Without their competence, commitment and quest for excellence, this successful organization serving Québec could not exist.

Jean Houde
President and Chief Executive Officer



Message from the Management Committee

Investissement Québec's goal is to be recognized as a successful organization by its clients, the Québec government, which is its shareholder, and its employees. We have helped define and give concrete expression to this vision.

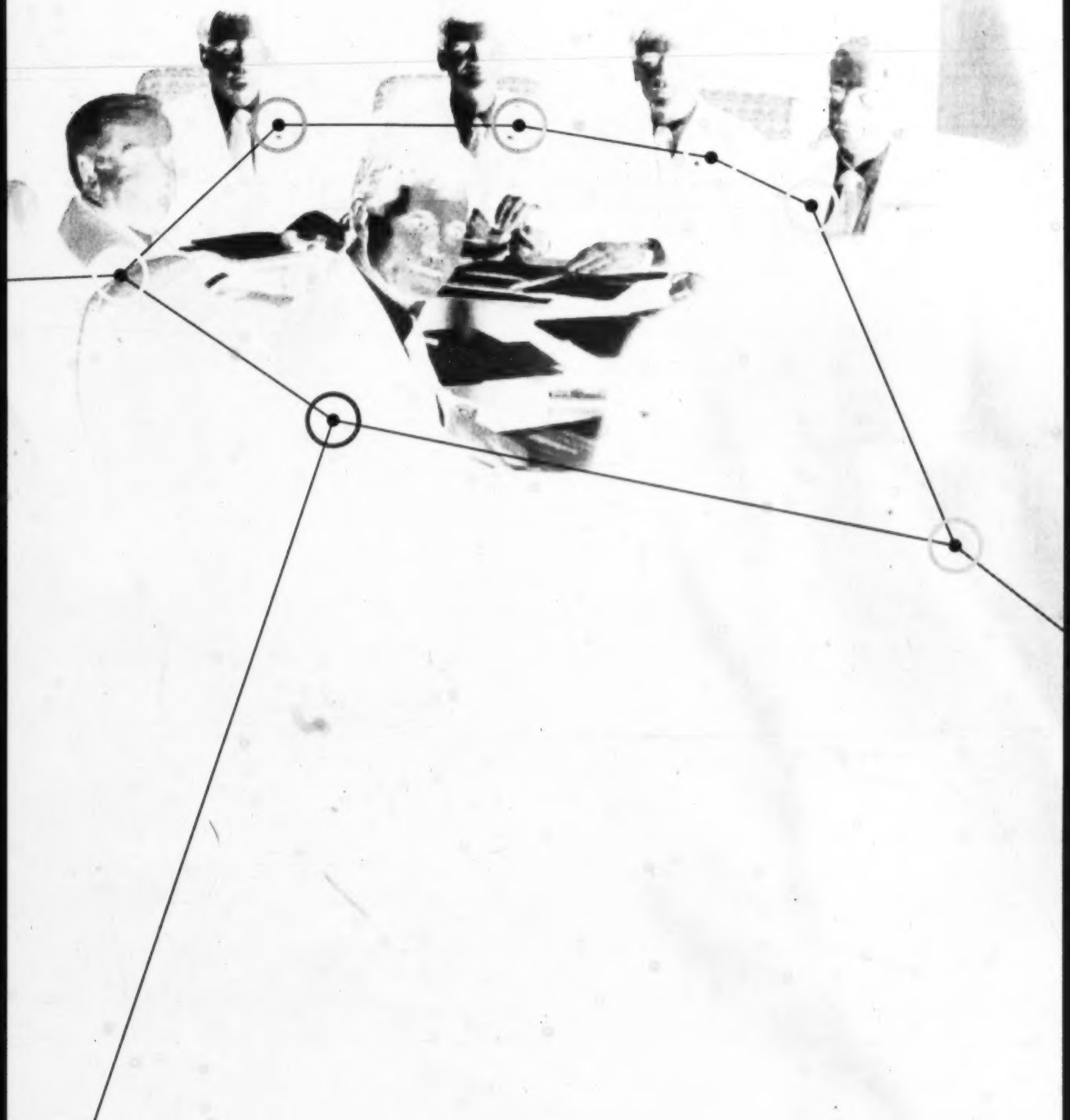
Convinced of the importance of concerted action and resolutely intent on acting accordingly, we have encouraged teamwork, establishing the main orientations and objectives for the Corporation's 2004–2007 business plan, as well as the actions envisaged for the first year of this three-year plan.

Together, we worked toward the achievement of the goals set in 2004–2005. We are determined to forge ahead in 2005–2006.

Foreground, clockwise

- Claude Dulude, Vice-President, Operations
- Jean Larivée, Vice-President, Credit and Risk Management
- André Côté, Vice-President, Administration
- Mario Lebrun, Vice-President, Foreign Investment
- Pierre B. Lafrenière, General Secretary and Vice-President, Legal Services
- Michel Deschamps, Vice-President, Government Mandates

The management committee met sixteen times in 2004–2005. The minutes of these meetings are available to all members of Investissement Québec's personnel, so they can keep abreast of the issues facing the Corporation as well as the concerns of the management team.



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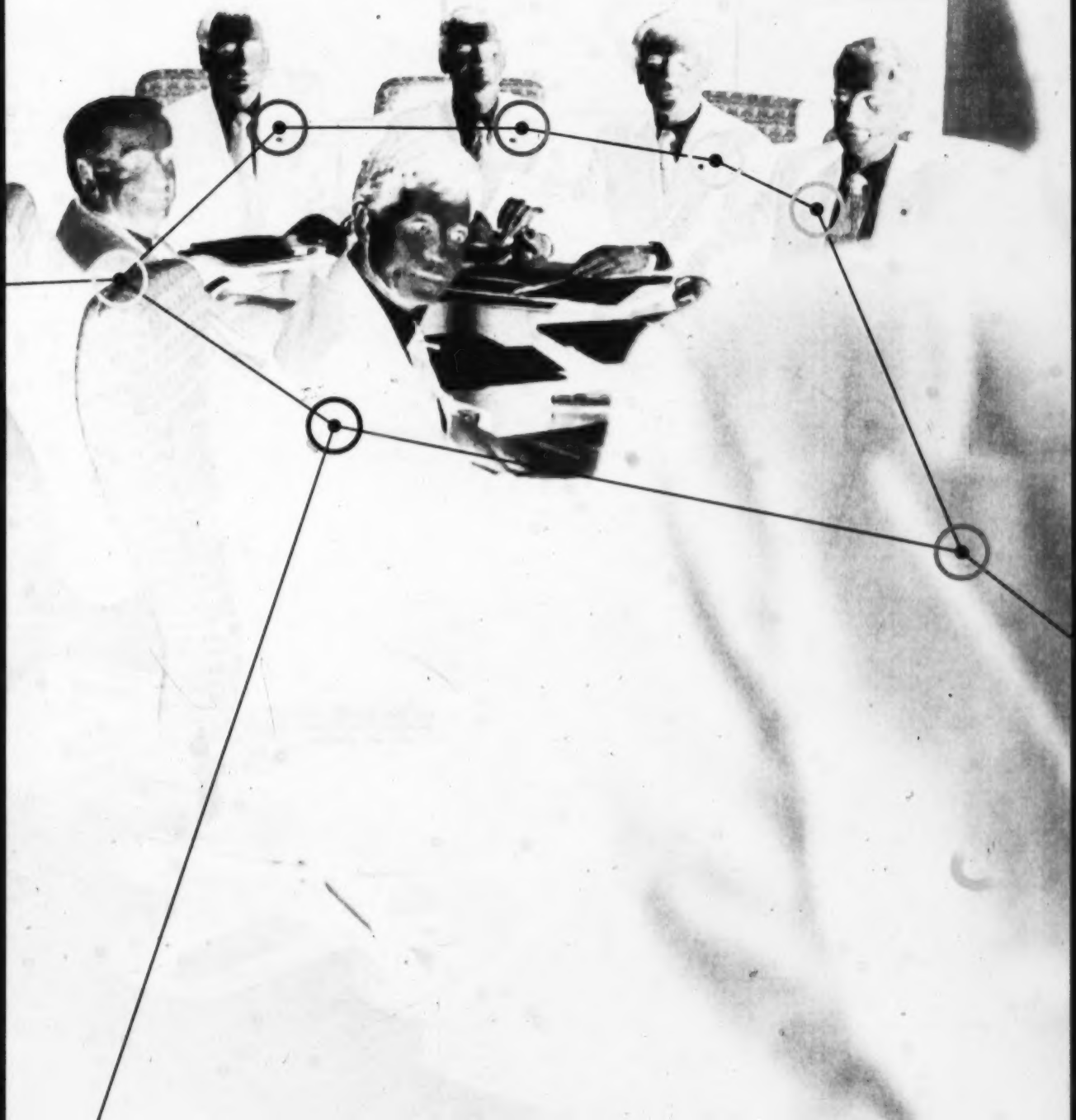
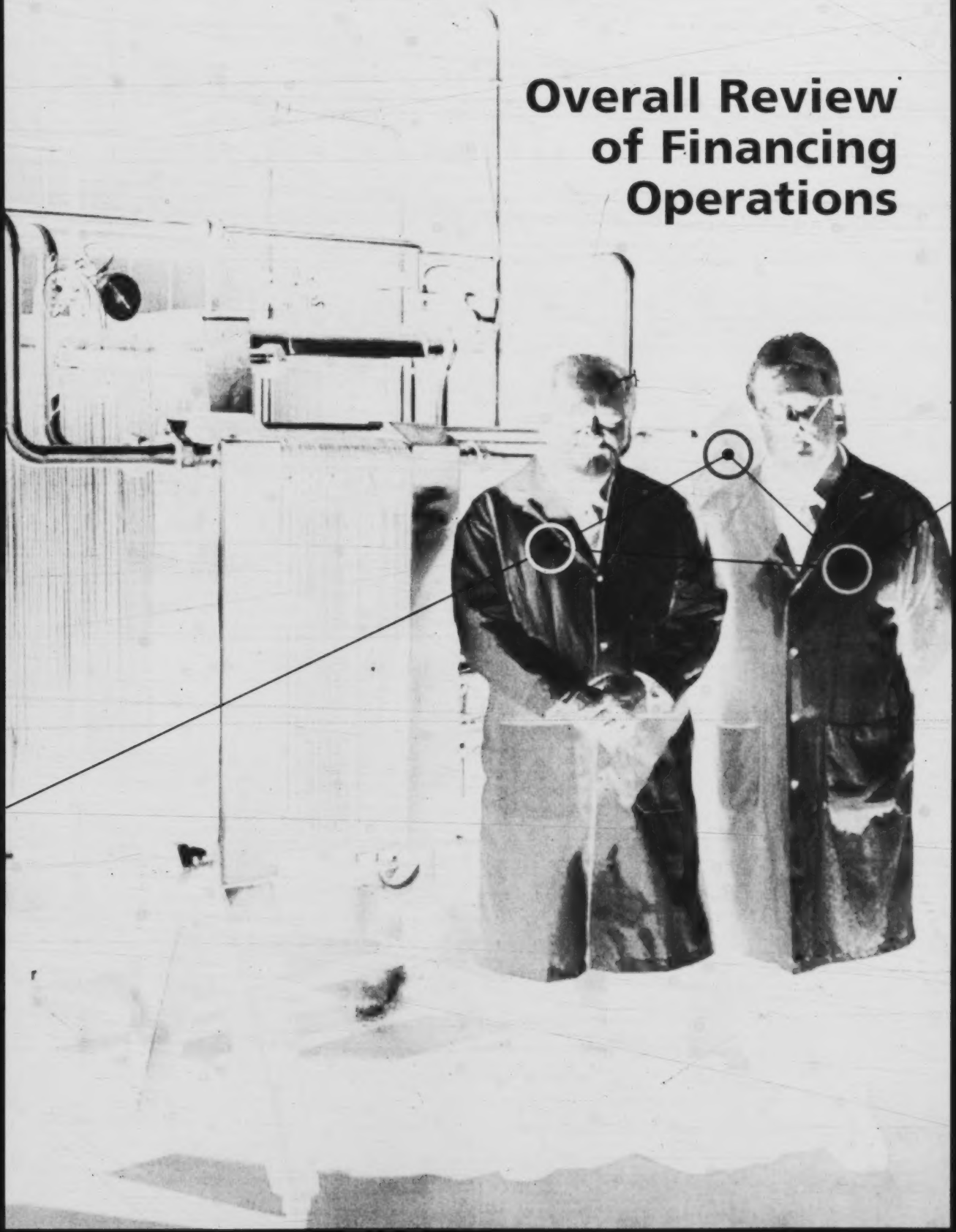


Managing Economic Development Tools

Thanks to a $1 million interest-free loan granted by Investissement Québec as part of the Strategic Support for Investment Program (PASI), Decacer will be able to open a new sugar and maple flake production plant in Dégelis, in the Bas-Saint-Laurent. The company, which has invested heavily in research over the past few years, will manufacture new maple by-products that it has developed with a process of its own invention. This formative expansion project for the region and for the maple growing industry will require a total investment of over $7 million and will ultimately create 40 jobs in Dégelis.

Clermont and Eliott Levasseur, Decacer

Overall Review of Financing Operations



Overall Results

In 2004–2005, Investissement Québec exceeded the objectives it had set for itself. The value of investment projects of companies that it supported totalled $3.8 billion, 103% of its objective. In all, Investissement Québec authorized 1,247 financing operations for all its financing programs and economic development tools.

The value of financing granted this year was $936.4 million, 27% more than the stated objective, due to major buyer-credit financing operations in the aeronautics sector.

Financing Operations

	Objectives 2004–2005	2004–2005	2003–2004
Number	1,039	1,247	1,190
Financing authorized ($M)	735.0	936.4	1,062.8
Declared value of projects[1] ($M)	3,680.0	3,795.6	4,990.7
Number of existing jobs[1]	–	48,874	43,204
Number of new jobs declared[1]	7,539	7,591	7,683

1. According to forecasts provided by companies, project completion and job creation are spread over a maximum period of three years.

However, the financing granted by Investissement Québec, as well as the value of projects financed, declined when compared with the 2003–2004 fiscal year, due in part to the economic conditions, but also to the termination of the FAIRE program.

Results by Administrative Region

Investissement Québec finances projects in all regions of Québec. The distribution of its financing operations is based on the regional breakdown of economic activity in Québec, which is particularly intense in the regions of Montréal, Laval, Montérégie, Laurentides and Lanaudière. These regions accounted for 53% of the financing operations authorized in 2004–2005, while resource regions represented 19% of financing operations.

Financing Granted by Administrative Region, 2004–2005

		Value ($M)		Number of Jobs Declared by Companies[1]	
Administrative Region	Number of Financing Operations	Financing	Projects[1]	Existing	New
01 – Bas-Saint-Laurent	54	15.3	75.1	2,305	289
02 – Saguenay–Lac-Saint-Jean	90	18.4	79.0	3,056	318
03 – Capitale Nationale	96	27.4	168.1	3,692	523
04 – Mauricie	36	10.4	40.4	3,086	242
05 – Estrie	65	16.0	74.4	2,709	519
06 – Montréal	308	562.6	2,139.6	10,001	1,879
07 – Outaouais	52	13.1	51.5	569	238
08 – Abitibi-Témiscamingue	14	3.2	11.6	440	33
09 – Côte-Nord	15	2.3	12.0	291	179
10 – Nord-du-Québec	11	3.4	7.0	80	1
11 – Gaspésie–Îles-de-la-Madeleine	19	4.1	10.4	527	14
12 – Chaudière-Appalaches	87	33.8	176.4	5,627	537
13 – Laval	53	17.6	64.9	2,219	211
14 – Lanaudière	36	9.3	65.5	922	132
15 – Laurentides	62	136.4	478.9	3,794	648
16 – Montérégie	201	50.7	289.3	7,661	1,432
17 – Centre-du-Québec	48	12.4	51.5	1,895	396
Total	1,247	936.4	3,795.6	48,874	7,591
Total, Resource Regions	239	57.1	235.5	9,785	1,076

[1] Corresponding to financial assistance granted by companies and projects that are granted over a maximum period of three years.

The resource regions are the following: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.

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Results by Economic Sector

Financing operations were particularly numerous this year in the following sectors: wood products, primary processing metals, transportation equipment and information systems design. In specifically supporting companies in the aeronautics sector, the Corporation addressed the government's stated priority of establishing an aeronautics development strategy for Quebec.

Financing Granted by Economic Sector, 2004-2005

			Value ($M)		Number of Jobs Declared by Companies[1]	
Economic Sector		Number of Financing Operations	Financing	Projects[2]	Existing	New
Primary						
Agriculture and fishery		7	1.0	2.9	241	7
Forestry		7	1.8	2.7	579	25
Mining		1	0.6	1.1	45	15
Sub-total	**1.2%**	**15**	**3.4**	**6.7**	**865**	**47**
Secondary						
Food and beverage		88	26.2	207.8	3,044	666
Rubber and plastic		52	13.2	86.0	2,157	409
Leather industry		3	0.4	2.1	260	4
Textile products and primary processing textile		20	7.8	40.2	1,461	410
Clothing		13	3.8	28.1	677	76
Wood products		97	25.9	130.8	3,424	654
Furniture		38	7.0	45.4	1,932	269
Paper		11	2.5	18.4	582	36
Printing		26	4.3	30.6	1,290	162
Primary processing metals and metal products		119	28.9	171.0	5,577	604
Machinery		91	20.7	103.5	2,770	365
Transportation equipment		113	622.2	2,171.0	6,022	1,168
Electrical and electronic products		73	23.1	98.2	2,496	355
Non-metallic mineral products		16	12.5	85.2	1,827	65
Refined oil, coal and chemical industry products		52	13.6	58.1	1,489	231
Various manufacturing industries		39	9.1	94.5	1,459	246
Sub-total	**68.2%**	**851**	**821.2**	**3,370.9**	**36,467**	**5,720**
Tertiary						
Professional, scientific and technical services		48	19.9	63.8	801	105
Design of information systems and related services		100	18.9	84.3	1,562	407
Health care and social services		18	5.5	19.1	507	59
Telephone call centres		1	1.0	10.2	558	300
Other corporate services		7	0.8	3.2	150	12
Lodging and food services		24	7.7	38.2	894	210
Various services		183	58.0	199.2	7,070	731
Sub-total	**30.6%**	**381**	**111.8**	**418.0**	**11,542**	**1,824**
Total	**100%**	**1,247**	**936.4**	**3,795.6**	**48,874**	**7,591**

1. Number of jobs declared by companies at project completion and at monitoring operations over a maximum period of three years.

Results by Type of Financing Operation

Investissement Quebec's client companies used mainly loan or financial commitment guarantees to be able to contract loans more easily from private financial institutions. These guarantees represent 57% of the financing operations authorized during the year and 72% of the value of financing granted.

Investissement Québec also granted non-refundable financial contributions coming largely from the Immigrant Investors Program and representing 8% of the total value of financing granted. This program is managed by IQ Immigrants Investisseurs inc., a subsidiary of Investissement Québec, under a three-party agreement with the Ministere de l'Immigration et des Communautes culturelles and financial intermediaries.

Breakdown of Financing by Type of Financing Operation According to the Amount Authorized, 2004–2005

A • Loan guarantee 17%
B • Financial commitment guarantee 55%
C • Loan 15%
D • Equity loan 3%
E • Non-refundable financial contribution 8%
F • Interest payments and interest-free loan 2%

Breakdown of Financing by Type of Financing Operation According to the Number Authorized, 2004–2005

A • Loan guarantee 43%
B • Financial commitment guarantee 14%
C • Loan 7%
D • Equity loan 3%
E • Non-refundable financial contribution 30%
F • Interest payments and interest-free loan 3%

Results by Economic Sector

Financing operations were particularly numerous this year in the following sectors: wood products, primary processing metals, transportation equipment and information systems design. In specifically supporting companies in the aeronautics sector, the Corporation addressed the government's stated priority of establishing an aeronautics development strategy for Québec.

Financing Granted by Economic Sector, 2004–2005

			Value ($M)		Number of Jobs Declared by Companies[1]	
Economic Sector		Number of Financing Operations	Financing	Projects[1]	Existing	New
Primary						
Agriculture and fishery		7	1.0	2.9	241	7
Forestry		7	1.8	2.7	579	25
Mining		1	0.6	1.1	45	15
Sub-total	**1.2%**	**15**	**3.4**	**6.7**	**865**	**47**
Secondary						
Food and beverage		88	26.2	207.8	3,044	666
Rubber and plastic		52	13.2	86.0	2,157	409
Leather industry		3	0.4	2.1	260	4
Textile products and primary processing textile		20	7.8	40.2	1,461	410
Clothing		13	3.8	28.1	677	76
Wood products		97	25.9	130.8	3,424	654
Furniture		38	7.0	45.4	1,932	269
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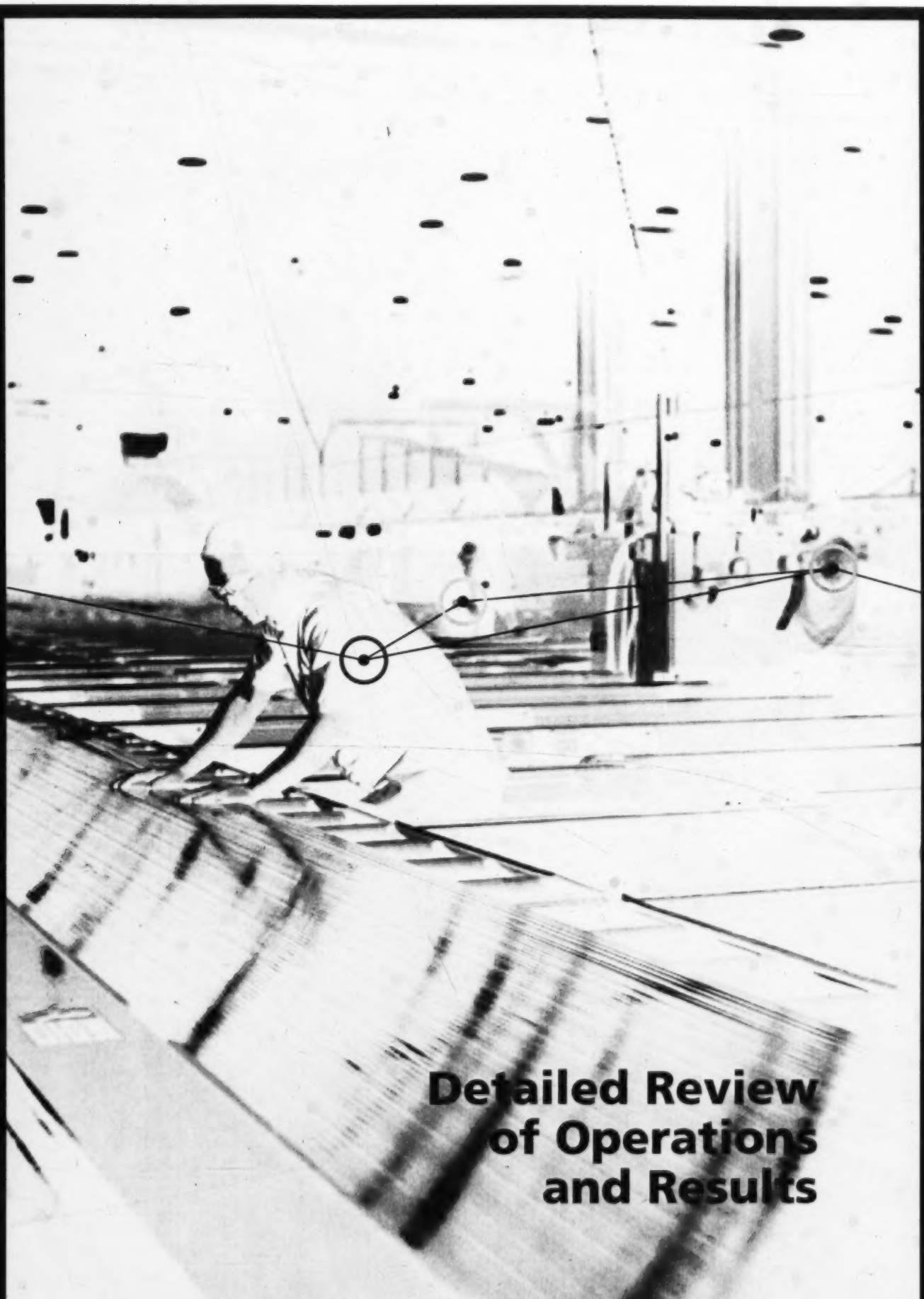
Boosting Foreign Investments

Groupe Indalex Solutions d'aluminium, a subsidiary of the British company Novar, will invest $21 million in a project to expand and refurbish its Pointe-Claire plant, which will be equipped with a third-generation extrusion press. This project, to which Investissement Québec is contributing $600,000, will create 50 jobs over three years.

Bruno Morency, semi-skilled worker, Indalex



Detailed Review of Operations and Results

Introduction

This detailed review is presented according to the four orientations that the Corporation set out in its 2004–2007 business plan, namely:

- Encouraging SMBs to invest and create jobs;
- Managing economic development tools;
- Improving performance;
- Optimizing client service.

Orientation 1:
Encouraging SMBs to Invest and Create Jobs

Complementary Financing

The main purpose of Investissement Québec is to support businesses whose financial structure exceeds the risk threshold tolerated by private financial institutions. It offers SMBs financing complementary to that of their lending institutions, thus allowing them to implement start-up, expansion, research and development, export or working capital growth projects which would probably not have been possible otherwise.

This year, the Corporation exceeded its objective by 3% with this clientele by authorizing 772 complementary financing operations. More than 85% of these operations were realized as part of the SMB Financial program. As for production and alliance projects and export lines of credit, the Corporation exceeded its stated objective by 20%. In all, it devoted $250.6 million to financing, which helped SMBs invest $846.6 million in projects that should create over 3,800 jobs.

Complementary Financing Granted by Program or Program Segment, 2004–2005

	Number of Financing Operations		Value ($M)		Number of Jobs Declared by Companies[1]	
Program or Program Segment	Objectives	Authorizations	Financing	Projects[1]	Existing	New
SMB Financial						
Production and alliance	131	158	75.6	226.2	5,283	1,464
Research and development						
Tax credit	304	340	69.0	326.5	7,222	1,402
Development	21	17	13.0	36.6	187	117
Exports						
Line of credit	75	91	34.2	102.7	2,884	201
Marketing	40	21	9.6	36.8	1,079	153
Working capital						
Growth	17	19	8.1	18.8	824	130
Recovery	12	8	3.7	10.3	443	5
Experimentation measures	10	4	5.4	15.5	350	89
Sub-total	**610**	**658**	**218.6**	**773.4**	**18,272**	**3,561**
Specific programs						
Group entrepreneurship						
Cooperatives	45	46	19.8	36.7	1,598	78
NPOs	25	22	9.8	21.9	754	108
Capitalization of social economy enterprises						
Cooperatives	40	26	1.3	6.5	80	31
NPOs	30	20	1.1	8.1	453	51
Sub-total	**140**	**114**	**32.0**	**73.2**	**2,885**	**268**
Total	**750**	**772**	**250.6**	**846.6**	**21,157**	**3,829**

(1) According to forecasts provided by companies, project completion and job creation are spread over a maximum period of three years.

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1. According to data reported by companies at the time of the application for financing or the signing of the loan.

Promotion Activities in Québec

To support its business development and promote its products to companies and financial institutions, Investissement Québec continued its public affairs activities in Québec and stepped up its targeted marketing actions.

The Corporation's representatives participated in close to 160 public affairs activities organized by financial partners, chambers of commerce or sector-based associations. The President and Chief Executive Officer of the Corporation also gave a series of speeches on 35 occasions in most regions of Québec, where he met with more than 2,500 people.

Investissement Québec also conducted a series of direct marketing operations with account managers of leading financial institutions, as well as a visual-identity integration operation for its various publications.

In addition to producing and updating its traditional tools (exhibition materials, promotional items, print and electronic presentations, advertisements), Investissement Québec intensified its advertising program in order to raise its profile in all regions of Québec. The level of knowledge that companies have of the Corporation has an impact on business development. Indeed, a survey conducted in 2004 showed that top-of-mind awareness of Investissement Québec increased by four percentage points compared with 2003.

This year, Investissement Québec initiated a complete overhaul of its Web site, with the addition of more user-friendly navigational features and interactive functions, such as online forms. The new design will also allow for the integration of e-commerce functions that meet the needs of the business clientele. One of the most popular sources of information, the Web site logged more than 123,000 visits during the year.

The Reception and Information Service of Investissement Québec responds to general enquiries about the Corporation and welcomes visitors. In 2004–2005, it handled more than 8,500 enquiries by telephone, e-mail or at the reception desk.

Lastly, the Corporation carried out several media activities and responded to some 100 requests from the print and electronic media.

Orientation 2:
Managing Economic Development Tools

Financial Incentive Programs

The economic development tools that the government has entrusted to the Corporation for management are primarily composed of financial incentive programs designed to boost investment in Québec. These programs are geared toward both Québec and foreign companies with projects of various sizes in Québec.

Financing Granted by Economic Development Tool, 2004–2005

	Number of Financing Operations		Value ($M)		Number of Jobs Declared by Companies[1]	
Program	Objectives	Authorizations	Financing	Projects[1]	Existing	New
Immigrant investors	200	371	62.0	615.5	18,413	2,754
PASI	24	4	11.2	83.1	2,324	120
FAIRE	–	11	18.9	228.3	2,169	667
Government mandates	–	1	115.0	384.5	1,807	221
Buyer-credit	65	66	472.2	1,624.6	–	–
Support for certain suppliers and subcontractors	–	22	6.5	13.0	3,004	–
Total	**289**	**475**	**685.8**	**2,949.0**	**27,717**	**3,762**

(1) According to forecasts provided by companies, project completion and job creation are spread over a maximum period of three years.

The number of financing operations granted this year under these programs totalled 475, exceeding the objective set out in the Corporation's action plan by 64%. The declared value of investment projects is estimated at $2.9 billion and should create more than 3,700 jobs.

As the table shows, the Immigrant Investors program was particularly active this year with 371 financing operations, far surpassing the objective of 200 financing operations. This program supports the projects of Québec SMBs through non-refundable financial contributions, thanks to the revenues generated by capital from immigrant investors.

However, the number of investment projects supported by the Strategic Support for Investment Program (PASI) fell short of the stated objective, since this program was only phased in as of October 2004. A small number of operations were also authorized under the Private Investment and Job Creation Promotion Fund (FAIRE) program, which was terminated on March 31, 2004 and for which certain applications were then under review.

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1. Amount to be invested by companies supported under the programs and, in some cases, by other partners participating in the projects.

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FIER

The government announced the creation of the Regional Economic Intervention Fund (FIER) in response to the recommendations of the report of the task force on the role of the Quebec government in venture capital. FIER is designed to help companies obtain financing at the start-up and development stages. It also aims to support the creation of sector-based funds and the implementation of developmental projects, mainly in the regions. It has three components: FIER-Support, FIER-Regions and FIER Partners.

The capitalization of these funds is joint, with the government and private investors each contributing a share of the initial capital. Total capitalization should reach $637 million, of which $288 million will come from the government and $259 million from private investors. The FIER Partners component will also include initial equity from the Fonds de solidarité ($50 million), Capital régional et coopératif Desjardins ($25 million) and Fondaction ($15 million).

Investissement Québec is mandated to participate in the implementation of FIER, to accredit each of the funds created and to coordinate the accountability of these organizations. To this end, it created a subsidiary in January 2005 called IQ FIER inc. Investissement Québec is also a sponsor of FIER Partners L.P., a new partnership specifically responsible for FIERs that support sector-based funds or developmental projects in the regions.

During the fiscal year, IQ FIER inc. accredited seven regional funds.

Fiscal Incentive Programs

Since March 2000, fiscal measures related to job creation have been helping support companies that create jobs in growth sectors or in resource regions in Québec. The government has mandated Investissement Québec to issue eligibility attestations and certificates to these companies.

Attestation and certificate applications come from new eligible companies as well as from companies that already benefit from fiscal measures, and which have to demonstrate each year that they meet the eligibility conditions.

Since March 31, 2004, Investissement Québec has also issued attestations for the Montréal Foreign Trade Zone at Mirabel.

New certificates and attestations

In 2004–2005, the Corporation issued 221 eligibility certificates and attestations to new companies, exceeding the stated objective for the fiscal year by 58%. However, the number of attestations and jobs declared declined in comparison to the previous year because, in the case of many fiscal measures, no new attestation can be granted. Moreover, in terms of credits for various regions, including resource regions, the pool of companies that might benefit from measures tends to diminish over time.

New Certificates and Attestations by Fiscal Measure

Fiscal Measure	Objectives 2004–2005[4]	New Certificates or Attestations 2004–2005	New Certificates or Attestations 2003–2004	New Jobs Declared[1][2] 2004–2005	New Jobs Declared[1][2] 2003–2004
Information Technology Development Centres (CDTI)	–	2	2	27	60
Cité Multimédia	–	5	12	177	322
New Economy Centres (CNE)	–	14	49	198	1,060
Centre national des nouvelles technologies de Québec (CNNTQ)	–	3	13	39	285
Biotechnology Development Centres (CDB)	3	3	2	62	65
Tax credit for Gaspésie and other maritime regions of Québec	10	9	14	80	167
Tax credit for Innovation Centres	–	3	4	140	221
Tax credit for nutraceuticals and functional foods	–	0	1	0	24
Tax credit for processing activities in resource regions	60	119	215	1,677	2,592
Biotechnology development	–	2	1	50	5
Tax credit for the production of multimedia titles	57	51	115	N.A.	N.A.
Tax credit for the Aluminum Valley	10	8	16	52	151
E-Commerce Place	–	1	0	0	0
E-business activities	–	1	26	0	1,787
Montréal Foreign Trade Zone at Mirabel[3]	–	0	N/A	0	N/A
Total	**140**	**221**	**470**	**2,502**	**6,739**

(1) According to forecasts provided by companies, job creation is spread over a maximum period of three years.
(2) To avoid double counting, these jobs are not added to those related to the Corporation's financing operations.
(3) Responsibility for the Montréal Foreign Trade Zone at Mirabel was entrusted to Investissement Québec on March 31, 2004.
(4) No objective was set in the case of measures for which no new attestation can be granted in the wake of the Budget Speech of June 12, 2003.

The new companies that benefited from fiscal measures in 2004–2005 were mainly from resource regions because, in general, no new attestation can be issued for fiscal measures that were abolished in the Budget Speech of June 12, 2003. This is why resource regions alone represent 64% of new attestations and certificates issued this year.

Several of these regions were particularly active in terms of job creation, accounting for 76% of the 2,502 new jobs declared. The strongest growth compared with 2003–2004 was recorded in Nord-du-Québec and Bas-Saint-Laurent, with increases of 122% and 31%, respectively.

New Certificates and Attestations by Fiscal Measure

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Montréal Foreign Trade Zone at Mirabel[3]	–	0	N/A	0	N/A
Total	**140**	**221**	**470**	**2,502**	**6,739**

1. According to forecasts provided by companies when applying for a certificate or attestation for the first time.
2. Jobs declared during three years and related to investments made during the corresponding reporting year.
3. Responsibility for the Montréal Foreign Trade Zone at Mirabel was transferred to Investissement Québec on March 31, 2004.
4. No objective was set in the case of measures for which no certificate or attestation can be granted as of the Budget Speech of June 12, 2003.

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New Certificates and Attestations by Administrative Region

	New Certificates or Attestations		New Jobs Declared[1]	
Administrative Region	2004–2005	2003–2004	2004–2005	2003–2004
01 – Bas-Saint-Laurent	33	43	620	473
02 – Saguenay–Lac-Saint-Jean	70	104	656	1,332
03 – Capitale nationale	9	29	114	587
04 – Mauricie	11	59	131	873
05 – Estrie	8	5	66	25
06 – Montréal	39	119	242	2,109
07 – Outaouais	1	1	25	0
08 – Abitibi-Témiscamingue	13	15	264	249
09 – Côte-Nord	4	14	69	140
10 – Nord-du-Québec	2	3	60	27
11 – Gaspésie–Îles-de-la-Madeleine	9	20	90	199
12 – Chaudière-Appalaches	–	8	0	159
13 – Laval	3	11	18	101
14 – Lanaudière	3	6	11	62
15 – Laurentides	2	3	24	30
16 – Montérégie	14	28	112	342
17 – Centre-du-Québec	–	2	0	31
Total[2]	**221**	**470**	**2,502**	**6,739**
Total, Resource Regions[3]	**142**	**258**	**1,890**	**3,293**

1. According to forecasts provided by companies, job creation is spread over a maximum period of three years.
2. To avoid double counting, these jobs are not added to those related to the Corporation's financing operations.
3. The resource regions are the following: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.

Attestation renewals

Investissement Québec renewed a large number of eligibility attestations for companies that had already been benefiting from fiscal measures for more than one year. The number of renewed attestations jumped from 883 the previous year to 1,779 in 2004–2005; 45% of these were for companies with processing activities in resource regions. Indeed, these companies must now submit an application every year to continue benefiting from the various credits aimed at the regions (credits for Gaspésie and other maritime regions of Québec, the Aluminum Valley and processing activities in resource regions).

Attestation Renewals by Fiscal Measure

	Objectives 2004–2005	2004–2005	2003–2004
Information Technology Development Centres (CDTI)	60	63	102
Cité Multimédia	115	134	119
New Economy Centres (CNE)	289	362	376
Centre national des nouvelles technologies de Québec (CNNTQ)	115	164	155
Biotechnology Development Centres (CDB)	5	8	3
E-Commerce Place	5	8	30
E-business activities	50	58	61
Tax credit for nutraceuticals and functional foods	–	–	2
Tax credit for Innovation Centres	10	14	2
Tax credit for processing activities in resource regions	936	803	33
Tax credit for Gaspésie and other maritime regions of Québec	100	94	N/A
Tax credit for the Aluminum Valley	115	61	N/A
Biotechnology development	–	2	N/A
Montréal Foreign Trade Zone at Mirabel	N/A	8	N/A
Total	1,800	1,779	883

Prospecting of Foreign Investments

Results

In 2004–2005, with the opening of five new offices abroad, Investissement Québec adopted a grassroots strategy to redeploy its team and get closer to its clients. It opened an initial office in London during the summer of 2004, followed by other offices in New York, Los Angeles, Munich and Chicago. With these offices and the one in Paris, already in operation, Investissement Québec now has six teams around the world to serve its clients. The Corporation also set up Montréal-based teams to serve each of these territories and support the prospectors posted abroad.

Thanks to its prospecting activities and with the use of its financing tools, Investissement Québec has helped implement 44 projects of foreign companies for a total value of $507 million. This has led to the establishment of 21 subsidiaries of foreign companies in Québec and the expansion of 23 others, which should create more than 1,800 jobs.

* According to forecasts provided by companies, all of which are scheduled over a five-to-seven-year time span.

New Certificates and Attestations by Administrative Region

	New Certificates or Attestations		New Jobs Declared[1]	
Administrative Region	2004–2005	2003–2004	2004–2005	2003–2004
01 – Bas-Saint-Laurent	33	43	620	473
02 – Saguenay–Lac-Saint-Jean	70	104	656	1,332
03 – Capitale nationale	9	29	114	587
04 – Mauricie	11	59	131	873
05 – Estrie	8	5	66	25
06 – Montréal	39	119	242	2,109
07 – Outaouais	1	1	25	0
08 – Abitibi-Témiscamingue	13	15	264	249
09 – Côte-Nord	4	14	69	140
10 – Nord-du-Québec	2	3	60	27
11 – Gaspésie–Îles-de-la-Madeleine	9	20	90	199
12 – Chaudière-Appalaches	–	8	0	159
13 – Laval	3	11	18	101
14 – Lanaudière	3	6	11	62
15 – Laurentides	2	3	24	30
16 – Montérégie	14	28	112	342
17 – Centre-du-Québec	–	2	0	31
Total[2]	**221**	**470**	**2,502**	**6,739**
Total, Resource Regions[3]	**142**	**258**	**1,890**	**3,293**

(1) According to forecasts provided by companies. Job creation is spread over a maximum period of three years.
(2) To avoid double counting, these jobs are not added to those related to the Corporation's financing operations.
(3) The resource regions are the following: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.

Attestation renewals

Investissement Québec renewed a large number of eligibility attestations for companies that had already been benefiting from fiscal measures for more than one year. The number of renewed attestations jumped from 883 the previous year to 1,779 in 2004–2005; 45% of these were for companies with processing activities in resource regions. Indeed, these companies must now submit an application every year to continue benefiting from the various credits aimed at the regions (credits for Gaspésie and other maritime regions of Québec, the Aluminum Valley and processing activities in resource regions).

Attestation Renewals by Fiscal Measure

	Objectives 2004–2005	2004–2005	2003–2004
Information Technology Development Centres (CDTI)	60	63	102
Cité Multimédia	115	134	119
New Economy Centres (CNE)	289	362	376
Centre national des nouvelles technologies de Québec (CNNTQ)	115	164	155
Biotechnology Development Centres (CDB)	5	8	3
E-Commerce Place	5	8	30
E-business activities	50	58	61
Tax credit for nutraceuticals and functional foods	–	–	2
Tax credit for Innovation Centres	10	14	2
Tax credit for processing activities in resource regions	936	803	33
Tax credit for Gaspésie and other maritime regions of Québec	100	94	N/A
Tax credit for the Aluminum Valley	115	61	N/A
Biotechnology development	–	2	N/A
Montréal Foreign Trade Zone at Mirabel	N/A	8	N/A
Total	**1,800**	**1,779**	**883**

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[4] According to forecasts provided by companies. Job creation is spread over a maximum period of three years.

Foreign Investments

	Objectives 2004–2005	2004–2005	2003–2004
Number of projects	44	44	51
Declared value of projects ($M)	455.0	507.0	1,438.2
Number of new jobs declared	–	1,810	4,753

It should be noted that, during the year, Investissement Québec was given the investment prospecting mandate previously assumed by the Development Corporation for the Montréal Foreign Trade Zone at Mirabel.

Prospecting activities

Apart from redeploying its prospecting team, the Corporation conducted an in-depth review of its prospecting methods. This allowed it to identify new prospecting territories, develop more focused strategies and redefine its objectives based on team work.

During the year, the Corporation conducted prospecting mostly in North America and Europe. The geographic distribution of meetings with new companies and foreign missions received remained virtually unchanged from the previous year. To support its prospecting efforts, 400 interest proposals were presented to potential investors around the world.

Prospecting Activities

	Objectives 2004–2005	2004–2005	2003–2004
Meeting with new companies	980	587	850
Missions of potential foreign investors received in Québec	287	174	266

Geographic Breakdown of Prospecting Activities, 2004–2005

Meetings with new companies

1 • Americas: 41.0%
2 • Overseas: 37.5%
3 • Quebec: 21.5%

Missions received

1 • Americas: 40.0%
2 • Overseas: 60.0%

Promotion activities

Investissement Québec maintained a steady pace of activities to promote the advantages of investing in Québec for its clients in foreign markets.

A communication and marketing plan for companies outside Québec was developed to support foreign investment prospecting. The plan revolved around the regular dissemination of information about Québec and its assets, using integrated communication tools.

The Corporation received about 15 foreign journalists, which led to the publication of several articles on the advantages of investing in Québec.

Investissement Québec published four issues of *Invest-Québec*, its quarterly newsletter on international investment. This newsletter, which is published in French and English, is distributed to some 5,000 subscribers around the world. The Corporation also maintained the distribution of the newsletter *Expansion* to its 1,400 subscribers, mainly subsidiaries of foreign companies.

Investissement Québec collaborated in the organization of several world-class specialized conventions in Québec and elsewhere in Canada, and also took part in many international events abroad. For example, it participated in a dozen major events around the world to promote Québec and the Corporation to foreign investors, including the World Economic Forum in Davos, Switzerland, the Farnborough Air Show in England, CoreNet Global in San Antonio, and Mass Opportunity in Boston.

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[3] Document to support prospecting efforts, presenting the comparative advantages of Québec.

Geographic Breakdown of Prospecting Activities, 2004–2005

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Consulting

Recognized for its financial expertise, Investissement Québec acts as an advisor and an analyst for government departments and agencies. In 2004–2005, the Corporation reviewed 82 investment projects, mainly for the Ministère du Développement économique, de l'Innovation et de l'Exportation (90%). These projects represent anticipated investments[1] of $88.5 million.

Under a specific agreement concluded in the fall, the same Ministère now relies on Investissement Québec's expertise in financing arrangements and financial analysis to meet various needs related to its mission and to improve coordination between the two organizations.

Recommendations to External Organizations

	2004-2005	2003-2004
Ministère du Développement économique, de l'Innovation et de l'Exportation		
Economic Projects Support Program (PSPE)	74	110
Fonds de développement économique de la capitale nationale	2	8
Association touristique régionale de la Gaspésie	6	6
Total	82	124

1. The number of projects submitted to the government for consideration by the Board of Directors was revised for 2003-2004.

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Association touristique régionale de la Gaspésie	6	6
Total	**82**	**124**

(1) The number of projects related to this program decreased this year, because the budget allocation was smaller than in 2003–2004.

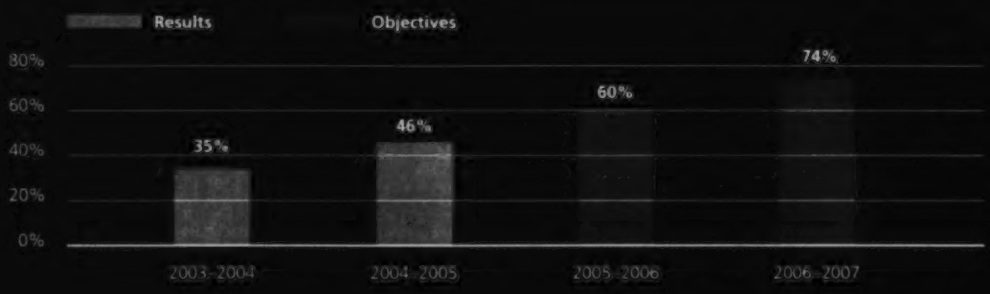
[1] According to forecasts provided by companies.

Orientation 3:
Improving Performance

Financial Performance: Self-financing and Cost Control

In its 2004–2007 business plan, the Corporation established annual targets for reducing the government's contributions to its operating and administrative expenses, which it intends to cover itself within the next few years. As the table below indicates, the Corporation intends to finance 74% of its administrative expenses by 2006–2007.

Share of Self-Financing of Administrative Expenses (%)



To achieve this, the Corporation made it a priority to manage the risks related to its financing operations even more stringently, and to institute a more precise and comprehensive pricing policy for its services. In 2004–2005, it revised its risk categorization grid to be able to establish more accurately the risk represented by each file it handles. At the same time, it was able to better graduate its rate schedule to adjust it to each intervention and to its market. Its rate schedule is now established based on a greater number of risk levels.

Concomitantly, the Corporation established a rate-setting policy for its activities related to accreditation and administration of fiscal measures. Henceforth, companies that want to be accredited to receive a tax credit must pay fees, which are determined by, among other things, the number of jobs accredited.

Economic Performance: Economic Viability of the Corporation

Each year, Investissement Quebec evaluates the impact of the projects it finances, as well as the cost of its interventions. In 2004–2005, it helped companies realize investment projects worth $3.8 billion in various manufacturing and service sectors in Québec. These investments should generate tax and incidental tax revenues of $2.4 billion for the Québec government.

However, the Corporation attributes only a portion of this impact to its interventions, representing $649.9 million. The method used to calculate the Corporation's "attributable share" is evaluated annually and the methodology of this evaluation is summarized on page 100.

The net cost of Investissement Québec's interventions was $222.6 million in 2004–2005.

Economic Viability of the Corporation's Interventions

	2004–2005[1]	2003–2004
Tax and incidental tax revenues attributable to the Corporation's interventions:		
Related to the implementation of projects financed ($M)	67.5	69.2
Related to the increase in sales of companies in the portfolio ($M)	582.4	624.1
Total revenues attributable ($M)	649.9	693.3
Net costs for the government ($M)	222.6	371.4
Investissement Québec's cost-benefit ratio	**2.92 / 1**	1.87 / 1

(1) The evaluation focused on companies whose fiscal year fell between July 1, 2003 and June 30, 2004.

The foregoing table shows the cost-benefit ratio of Investissement Québec. The analysis of the economic viability of the Corporation's financing operations established the cost-benefit ratio at 2.92 in 2004–2005. This means that, for each dollar of cost generated by the Corporation, the Québec government collected $2.92 in tax and incidental tax revenues. Investissement Québec therefore remains an economically viable corporation with a ratio in excess of 1.

Compared with the previous year, the ratio rose from 1.87 / 1 to 2.92 / 1, primarily due to a decrease in the provision for losses[1] and a reduction of the costs of the FAIRE program, which was terminated on March 31, 2004.

Since the creation of Investissement Québec in 1998, the annual evaluation of the economic viability of the Corporation has produced a cost-benefit ratio of over 1. However, the average of this ratio over a longer horizon is a better indicator of the Corporation's performance. Since 1998, the Corporation's average cost-benefit ratio is 3.1 / 1, thus confirming Investissement Québec's economic viability for the Québec government.

Pages 92 to 100 contain more detailed information on the evaluation methodology and the data used to simulate economic impact, as well as on the various economic benefits stemming from the Corporation's activities.

[1] The details of the provision for losses are presented in note 10 of the financial statements.

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[1] The data of the provision for losses are presented in note 5 of the financial statements.

Orientation 4:
Optimizing Client Service

Satisfying Clients and Partners

There was a major shift this year toward gradual adoption of an integrated business development strategy with a focus on client needs and service quality. Service quality is of strategic importance for Investissement Québec. It is defined mainly in terms of reception, professionalism and competence, flexibility, prompt application processing and accessibility. Each year, the Corporation assesses the level of satisfaction of its clients and partners with regard to its contribution and its collaboration.

Between June 2004 and February 2005, it conducted a survey of 531 companies – mainly new clients[1] – and 350 partner financial institutions. At the end of April 2005, the response rate was 47% for clients and 50% for financial institutions.

Assessed according to five priority aspects, the Corporation's quality of service is generally very much appreciated by its clients and partners, who say overall that they are satisfied (90%) with the services delivered by Investissement Québec. This result exceeds the objectives of 86% (clients) and 90% (partners) established for the fiscal year.

Satisfaction Rate

	2004–2005		2003–2004	
	Client Companies	Financial Institutions	Client Companies	Financial Institutions
Courtesy	92%	91%	91%	95%
Professionalism and competence	94%	93%	90%	98%
Adaptability and flexibility	90%	90%	87%	96%
Processing time	85%	85%	79%	89%
Accessibility and visibility	88%	90%	87%	93%
General satisfaction[1]	90%	90%	88%	95%

(1) Satisfaction with the assistance offered.

This survey also reveals the importance that companies and financial institutions place on professionalism and competence. As in years past, this service aspect is considered the most important and the most satisfying, and hence the primary strength of Investissement Québec.

From now on, the Corporation also intends to survey client companies that benefit from fiscal measures. To this end, it has developed a questionnaire that it started distributing during the year.

[1] Companies already surveyed no longer receive a questionnaire.

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(1) Satisfaction with all aspects evaluated.

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From now on, the Corporation also intends to survey client companies that benefit from fiscal measures. To this end, it has developed a questionnaire that it started distributing during the year.

* Companies newly surveyed by single-window questionnaire.

Training and Development

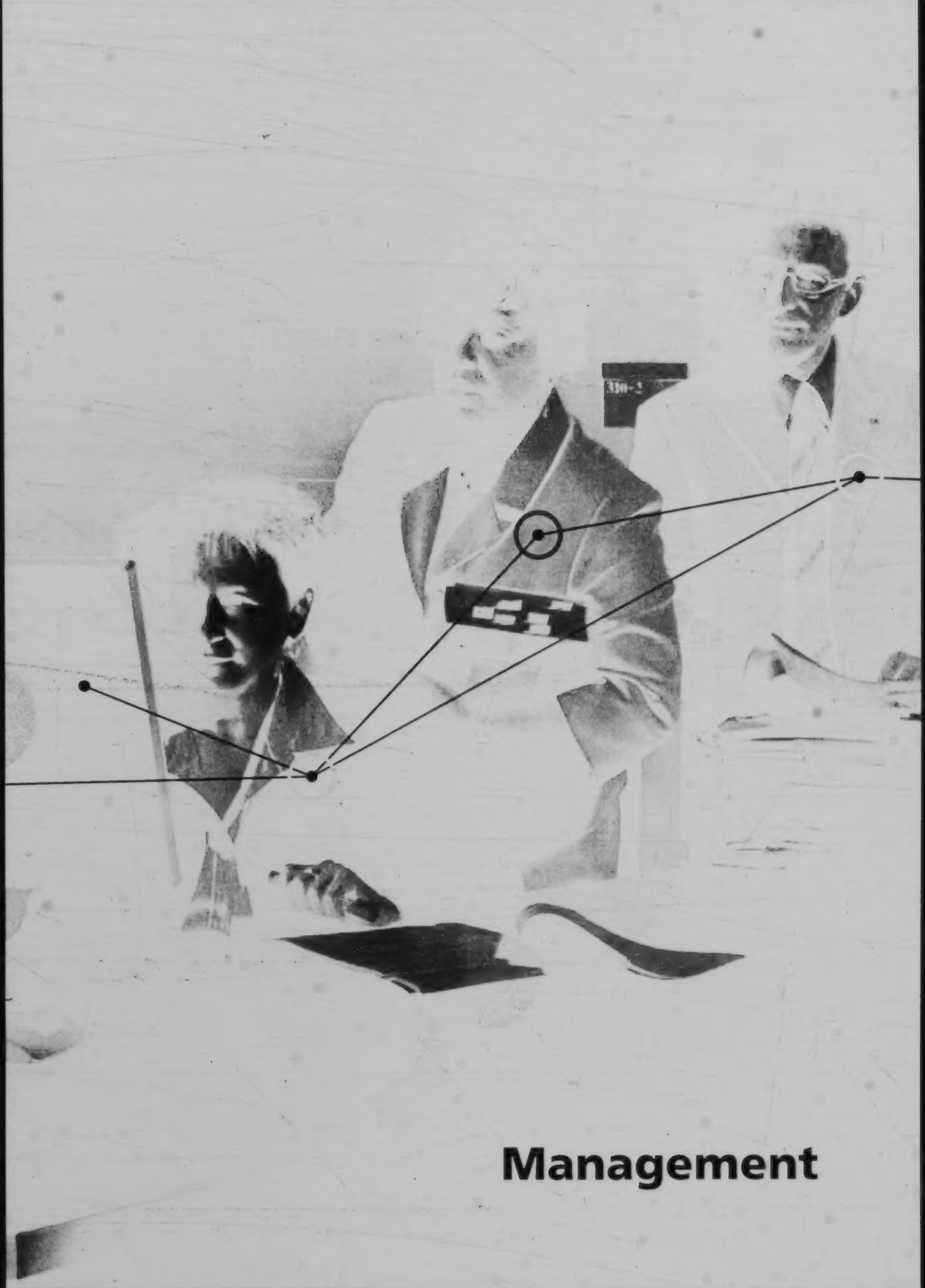
The Corporation has a skills development plan for each of its employees based on the following seven elements: expertise, management, academic training, foreign languages, information technology and office automation, personal development and corporate culture. The Corporation devoted 4.3% of its payroll to personnel training and development, compared with 3.4% last year. This increase can be explained in part by the higher employee participation in training activities and the need to train new employees.

Investissement Québec is pursuing its efforts in the area of personnel development with a view to optimizing client service.

Maintaining and Developing Employee Expertise

Why not use new technologies or new tools to train employees? Investissement Québec experimented with this approach by offering online training courses that employees could take from their individual workstations. Flexible and effective, this new method is a perfect complement to the skills development program to which Investissement Québec devotes 4.3% of its payroll.

Suzanne Carrière, Michèle Exartus and Jacques Gagnon, Investissement Québec, Longueuil



Management

Corporate Governance and Organizational Structure

Boards of Directors

Investissement Québec

Made up of nine members appointed by the government, including the President and Chief Executive Officer of the Corporation, Investissement Québec's Board of Directors includes representatives from the business community, cooperatives, unions and the government. Its role is to ensure that Investissement Québec is properly managed, in the best interest of its clients, personnel, financial and institutional partners and the government. In this effort, it relies on the principles of sound management and corporate governance, with the help of tools designed in cooperation with management, including:

- the three-year business plan;
- the annual action plan;
- the annual budget;
- periodic operating reports as well as the financial statements showing the results in relation to established goals;
- the annual report, through which the Corporation fulfills its obligation of accountability and performance measurement.

In performing its duties, the Board is assisted mainly by an Audit and Human Resources Committee that monitors the quality of financial information, internal controls and the management of Investissement Québec's human resources. In addition, the Board has set up a credit committee invested with the powers of recommending, authorizing and modifying financing files. Two ethics committees, whose members are appointed by the Board, are responsible for examining all matters related to the interpretation and application of the Code of Ethics for employees of Investissement Québec and its subsidiaries and the Code of Ethics of the Board of Directors of Investissement Québec, and for reporting back to the Board.

In addition, the Board of Directors establishes, with the help of Management, the governance principles between Investissement Québec and its subsidiaries, which include IQ Immigrants Investisseurs inc. and IQ FIER inc.

IQ Immigrants Investisseurs inc.

Made up primarily of representatives of Investissement Québec, the Ministère de l'Immigration et des Communautés culturelles and the Ministère des Finances, the Board of Directors of IQ Immigrants Investisseurs inc. ensures that the business of this subsidiary is efficiently managed. The mission of the latter is to receive and manage capital from immigrant investors, and to administer a corporate financial assistance program using investment income, in partnership with financial intermediaries. Its Board of Directors, chaired by André Coté, Vice-President, Administration, Investissement Québec, also includes Maryse Alcindor, Deputy Minister, Immigration et Communautés culturelles; Yves Lafrance, Associate Deputy Minister, Ministère des Finances; Pierre-André Paré, FCA, as well as Jean Larivée, Vice-President, Credit and Risk Management, and Gilles Montplaisir, Legal Advisor and Secretary of the Board of Directors, Investissement Québec.

IQ FIER inc.

IQ FIER inc. was created following the implementation of the Regional Economic Intervention Fund (FIER), announced by the government in its 2004–2005 budget. This subsidiary has the mandate of establishing the parameters under which it will invest in the FIER. The Board of Directors comprises Jean Houde, President and Chief Executive Officer, Investissement Québec; Jean Larivée, Vice-President, Credit and Risk Management, Investissement Québec; Lucien Biron, Chief Executive Officer, IQ FIER inc.; Luc Chabot, venture capital consultant; and Mathilde Carrière, lawyer with the firm Fraser Milner.

Members of the Board of Directors of Investissement Québec

Léopold Beaulieu

President and Chief Executive Officer,
Fondaction, le Fonds de développement
de la Confédération des Syndicats nationaux
pour la coopération et l'emploi

Chairman of the Advisory Committee on
the Social Economy

Vice-Chairman of the Board of Directors,
Investissement Québec

Chairman of the Audit and
Human Resources Committee

Michel Boivin

Deputy Minister, Ministère des Ressources
naturelles et de la Faune

Chairman of the Ethics Committee
of Employees of Investissement Québec
and Its Subsidiaries

Member of the Ethics Committee of the
Board of Directors, Investissement Québec

Gilles Demers

Associate Deputy Minister, Ministère du
Développement économique, de l'Innovation
et de l'Exportation

Jean Houde

President and Chief Executive Officer,
Investissement Québec

Chairman of the Board,
Investissement Québec

Chairman of the Board,
IQ FIER inc.

Chairman of the Ethics Committee of the
Board of Directors, Investissement Québec

Member of the Ethics Committee of Employees
of Investissement Québec and Its Subsidiaries

Member of the Credit Committee,
Investissement Québec

Mélanie Kau

President of Mobilia Interiors

Yves Lafrance

Associate Deputy Minister for Government
Corporations and Economic Projects,
Ministère des Finances

Member of the Audit and Human Resources
Committee, Investissement Québec

Member of the Board of Directors,
IQ Immigrants Investisseurs inc.

Rosemonde Mandeville

President and Chief Executive Officer,
BiophagePharma

Michel R. St-Pierre

Deputy Minister, Ministère de l'Agriculture,
des Pêcheries et de l'Alimentation

René Roy

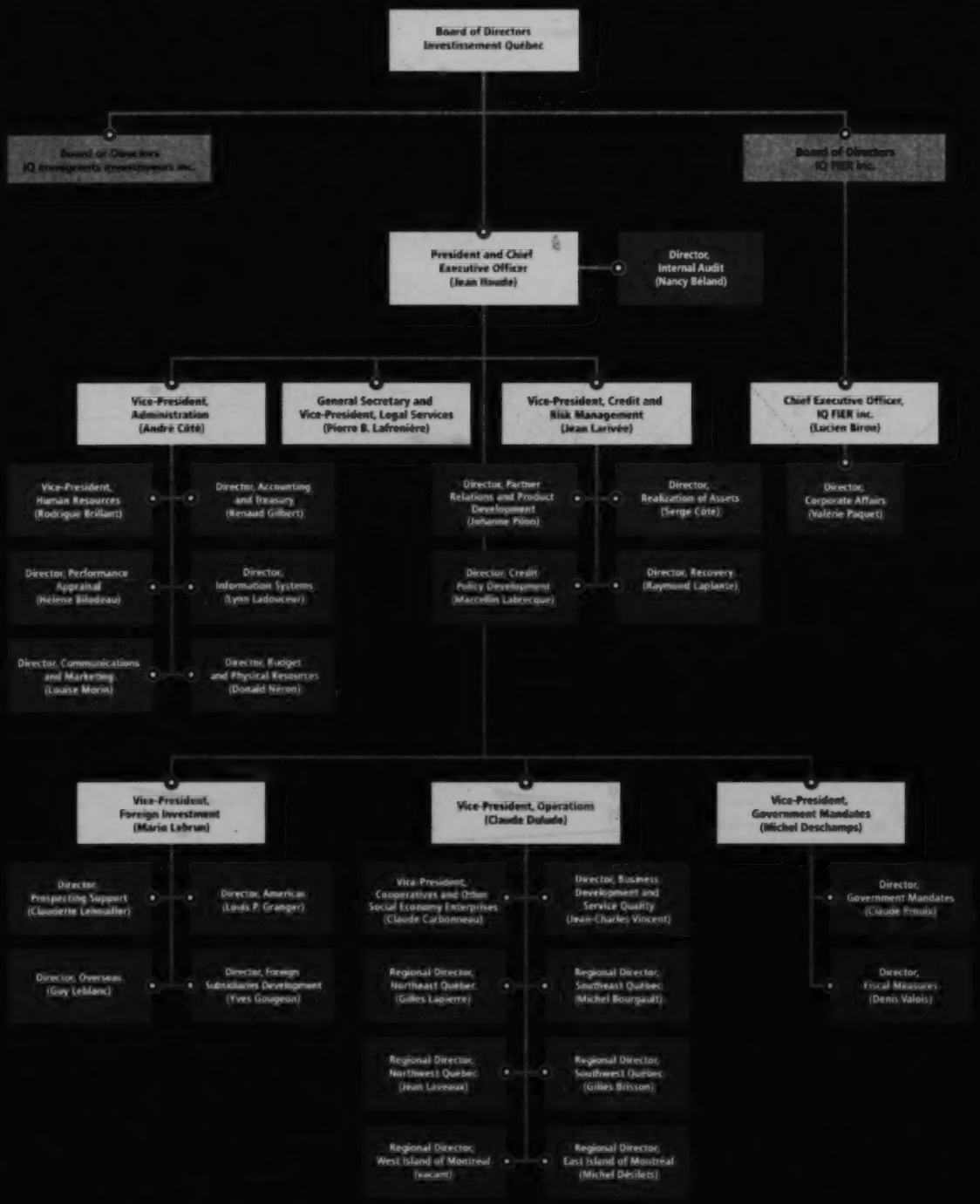
General Secretary, Fédération des travailleurs
et travailleuses du Québec (FTQ)

Secretary, Board of Directors of
the Fonds de solidarité FTQ

Member of the Audit and Human Resources
Committee, Investissement Québec

ORGANIZATIONAL CHART

ORGANIZATIONAL CHART



Committees

Ethics Committee of Employees of Investissement Québec and its Subsidiaries

This Committee is made up of four members appointed by the Board of Directors of Investissement Québec: Michel Boivin, Chairman of the Committee and Member of the Board of Directors, Investissement Québec, Jean Houde, President and Chief Executive Officer, Investissement Québec; André Côté, Vice-President, Administration, and Pierre B. Lafrenière, General Secretary and Vice-President, Legal Services.

The Committee held five meetings during the fiscal year. The ethics code for employees was published in the Corporation's 2002–2003 annual report, and no major amendments have been made since. To facilitate its application, the Committee disseminated several employee memos via the intranet. Also, a directive on lobbying was introduced in October in addition to this code, and training was provided to employees. The Committee members, to their knowledge, did not detect any situation violating the code.

Ethics Committee of the Board of Directors of Investissement Québec

Chaired by Jean Houde, President and Chief Executive Officer of Investissement Québec, this Committee comprises two other members designated by the Corporation's Board of Directors, including Michel Boivin, Member of the Board of Directors, Investissement Québec. As at March 31, 2005, one position remained to be filled due to the departure of a Board member.

Audit and Human Resources Committee

Chaired by Léopold Beaulieu, Vice-Chairman of the Board, Investissement Québec, this Committee is made up of Yves Lafrance and René Roy, members of the Board of Directors, Investissement Québec. Jean Houde, President and Chief Executive Officer, Investissement Québec, attends the meetings of this Committee as an observer.

Credit Committee

In accordance with the Corporation's by-law, this Committee is made up of Jean Houde, President and Chief Executive Officer, Investissement Québec; Claude Dulude, Vice-President, Operations; Michel Deschamps, Vice-President, Government Mandates; and Jean Larivée, Vice-President, Credit and Risk Management and Chairman of this Committee. Pierre B. Lafrenière acts as Secretary and Pierre Chartrand as Assistant Secretary.

Management Committee

The Management Committee consists of seven members: Jean Houde, President and Chief Executive Officer, Investissement Québec; André Côté, Vice-President, Administration; Pierre B. Lafrenière, General Secretary and Vice-President, Legal Services; Jean Larivée, Vice-President, Credit and Risk Management; Claude Dulude, Vice-President, Operations; Mario Lebrun, Vice-President, Foreign Investment; and Michel Deschamps, Vice-President, Government Mandates.

In July 2004, the Management Committee conducted a full review of the mandate, composition and number of internal committees for which it is responsible and which must report to it periodically. As a result, three committees were created, seven had their mandates confirmed and two were abolished.

Management Instruments

Three-Year Business Plan

The Corporation has a 2004–2007 business plan, which was approved by the government in 2004. This plan sets out the strategies, measures and performance objectives as well as the government's contribution to the financing of the Corporation's activities.

Action Plan

To implement its three-year business plan, the Corporation establishes an action plan each year indicating its recurring activities and development activities, selected based on its strategies. The 2004–2005 action plan was communicated to the Corporation's employees by the managers during the first weeks of the year, and the 2005–2006 action plan was available as of April 1, 2005.

Monitoring of Activities

The Corporation uses various tools to monitor its activities, results and financial commitments and to support its decision-making process.

Monthly and quarterly operating reports are submitted to the Management Committee presenting detailed data on all the programs administered and the activities carried out by the Corporation, as well as on client satisfaction, time required to process files, management of human, budgetary and physical resources, and basic financial results. Employees can consult these reports on the Corporation's intranet site.

A follow-up of the main annual action plan indicators defining the Corporation's objectives is also carried out every quarter and presented to the Board of Directors and the Management Committee.

A quarterly financial report including the balance sheet and statement of results for the period, financial performance indicators as well as results by administrative unit is prepared for the Management Committee, the Audit and Human Resources Committee and the Board of Directors.

Risk Management

The Corporation uses several instruments to manage the risks it faces due to the nature of its activities. During fiscal 2004–2005, it established a profile of these risks, so as to:

- Identify and categorize the risks inherent in its activities;
- Identify the risks according to the level of control and influence it exercises over them.

The pyramid below illustrates the Corporation's main risk categories.

Economic conditions, competition, regulations and laws all constitute risks inherent to the activities of Investissement Québec over which it exercises little control and influence.

The Corporation uses several instruments to manage the risks to which it is exposed, however. The Management Committee has a three-year action plan for managing the following risks: strategic, reputation, operational, credit, market and liquidity.

Strategic Risk

The strategic risk corresponds to the risk of losses or costs related to the Corporation's business plan (mission, vision, issues, culture and values, human resources and skills).

To manage strategic risks, the Board of Directors and the Management Committee ensure that Investissement Québec is smoothly run, in the best interests of its clients, partners, personnel and the government, by adhering to principles of sound management and corporate governance and by using the Corporation's management instruments as well as surveys on client and partner satisfaction.

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Reputation Risk

Reputation risk corresponds to the risk that the Corporation's image and credibility may be tarnished, as well as the risk that the Corporation may not fulfill its mission or respect its orientations.

In this regard, the Corporation relies on several means, including a communication plan as well as the tools with which it already manages the strategic and operational risks to which it is exposed.

Operational Risk

Operational risk is the risk that the Corporation may incur a loss due to an insufficiency or failure of systems and processes or human error. The Corporation uses several ways to manage this risk, including establishing and monitoring procedures concerning information processes, financing operations and human resources management. More specifically, these measures affect:

- delegation of power and separation of functions;
- rapid production of reliable management information, such as operating reports;
- physical and logical security of systems and computer data;
- process of planning the resumption of activities;
- competence and training of personnel;
- insurance coverage and appropriate protection of physical assets and offices.

Credit Risk

For the Corporation, credit risk is mainly associated with losses it may incur due to the credit quality of its clients. In this regard, it has used a variety of measures to help it make enlightened decisions when analyzing and authorizing its financing operations. In addition, it systematically monitors financing operations by, among other things, obtaining and analyzing the annual financial statements of companies, producing a yearly report on the progress of these companies, reviewing the risk category on a quarterly basis in order to determine the provision for losses and, in the case of doubtful accounts, updating the value of securities.

The Corporation recently updated its company classification system, adding two risk categories. This addition improves the initial evaluation of the risk, allows for better matching of rate schedule and risk level, facilitates the tracking of changes in financing operations and makes it easier to monitor companies in difficulty.

Market Risk

Market risk corresponds to the risk that fluctuations in interest rates, exchange rates and share prices may lead to losses. For the Corporation, the market risk stems mainly from interest rate fluctuations. In this regard, the Corporation seeks the best possible matching of the maturity rates of its assets and liabilities. The largest portion of its weekly or monthly variable-rate loans is financed by borrowings with a duration of about one month. The Corporation completes the matching with derivative products. This method of operation is supported by an interest rate risk management policy.

Liquidity Risk

Liquidity risk is associated with the difficulties that the Corporation may experience in obtaining capital at a reasonable cost due to market volatility.

The management of this risk is supported by an overall financing policy. The Corporation ensures that it has diverse sources of financing as well as a borrowing program for both short- and long-term loans from the Québec government's Fonds de financement. In addition, short-term borrowing agreements have been concluded with financial institutions. The amounts authorized under these programs and agreements are established in order to cover all contingencies.

Human Resources

Workforce

During the year, the Corporation's workforce grew from 367 to 369 persons, an increase of 1%. In addition, Investissement Québec took in seven university-level and two college-level interns.

Changes in Workforce[1]

Job Category	March 31, 2005	March 31, 2004
Managers	37	35
Professionals	181	181
Jurists	10	10
Technicians	62	60
Clerical staff	79	81
Total	369	367

(1) Includes only regular employees.

Turnover Rate

The Corporation's turnover rate stood at 4.9% or 18 departures in 2004–2005, compared with 6.6% or 25 departures in 2003–2004.

Performance Appraisal Method

The performance appraisal method requires all the Corporation's employees, regardless of their position, to undergo a periodic evaluation based on performance goals established at the beginning of the year. This method also calls for an incentive compensation policy, which stipulates that all salary increases be based on these goals being achieved or exceeded.

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Managers	37	35
Professionals	181	181
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Technicians	62	60
Clerical staff	79	81
Total	**369**	**367**

(1) Excluding interns and students.

Turnover Rate

The Corporation's turnover rate stood at 4.9% or 18 departures in 2004–2005, compared with 6.6% or 23 departures in 2003–2004.

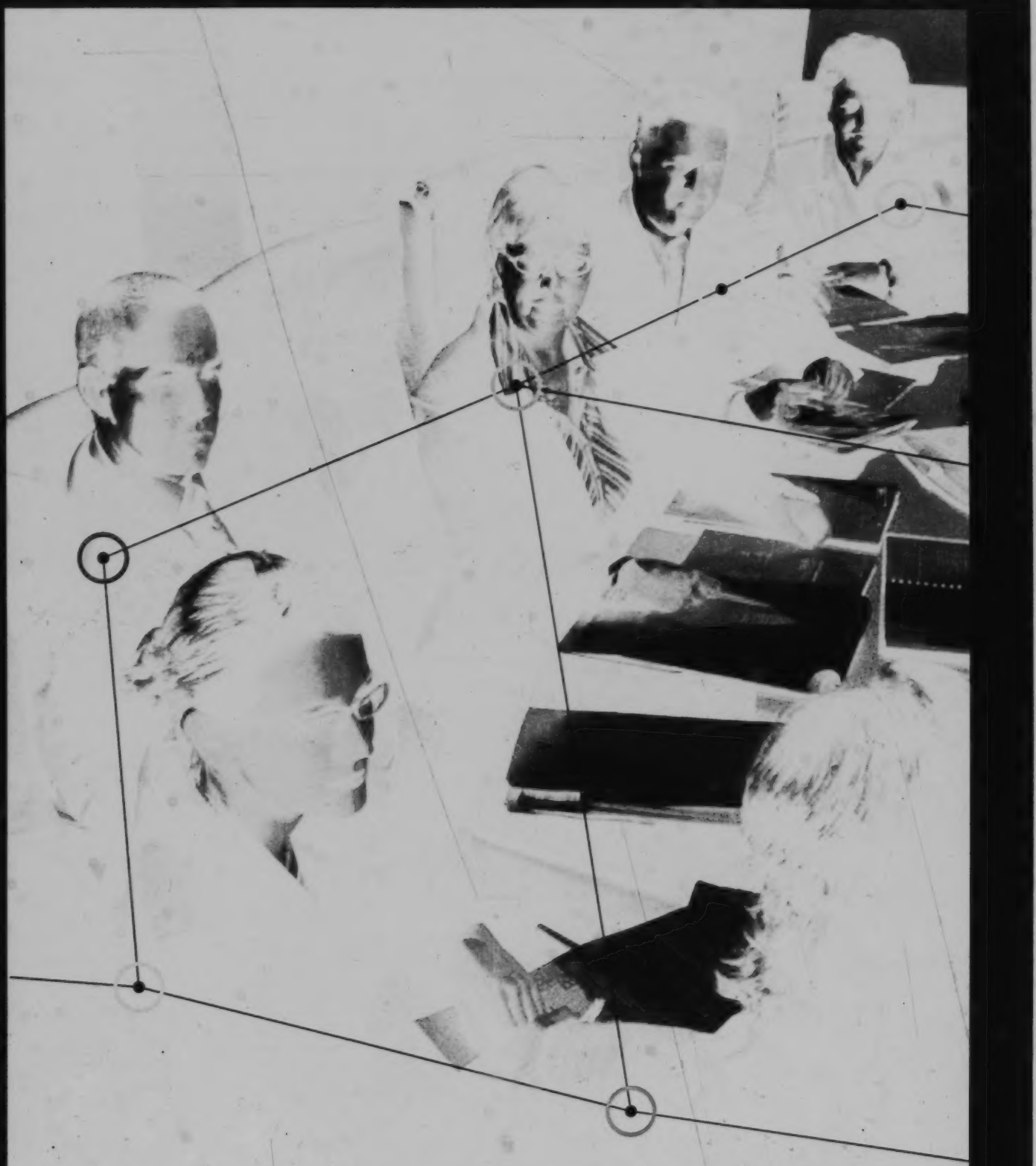
Performance Appraisal Method

The performance appraisal method requires all the Corporation's employees, regardless of their position, to undergo a periodic evaluation based on performance goals established at the beginning of the year. This method also calls for an incentive compensation policy, which stipulates that all salary increases be based on these goals being achieved or exceeded.

Increasing the Self-financed Portion of Administrative Expenses

On September 1, 2004, Investissement Québec implemented a rate-setting policy for the eligibility attestations that it must issue regarding the tax credits it administers. Based on the number of eligible jobs, rate setting will allow the Corporation to cover the administrative costs of these fiscal measures and help it achieve its self-financing objective.

Julie Fortin, Denis Valois, Hélène Lebœuf, Anthony Prast and Lucie Rodrigue, Investissement Québec, Sainte-Foy



Financial Information

Financial Review by Management

General Comments

The Corporation's consolidated financial statements include the financial statements of its wholly owned subsidiaries, namely, IQ Immigrants Investisseurs inc., IQ FIER inc., 9037-6179 Québec inc., 9071-2076 Québec inc., 9109-3294 Québec inc. and La Financière du Québec. These statements consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of surplus, the consolidated statement of cash flows and the notes to the consolidated financial statements.

The net value of the Corporation's financing operations portfolio continued to grow during the fiscal year ended March 31, 2005. The portfolio increased by 13%, from $2.4 billion as at March 31, 2004, to $2.7 billion as at March 31, 2005.

This portfolio is made up of loans, shares, units and guarantees. Loans, shares and units are posted on the asset side of the Corporation's balance sheet, while guarantees are left out of the balance sheet, because they are neither an asset nor a liability. However, they are presented as off-balance sheet financial instruments.

The financing operations included in the Corporation's portfolio fall into three major categories: operations for which losses are assumed by the Québec government, operations for which losses are assumed equally by the government and the Corporation, and operations for which losses are assumed entirely by the Corporation. The portion of the portfolio for which losses are assumed by the government and the portion for which losses are assumed by the Corporation are presented separately in the notes to the financial statements.

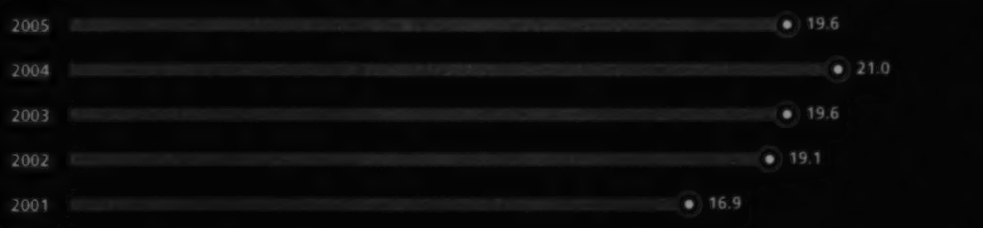
Balance Sheet

The Corporation's total assets as at March 31, 2005 stood at $3.5 billion, up 23% compared with total assets as at March 31, 2004. This improvement is mainly due to the substantial increase in the investments of IQ Immigrants Investisseurs inc., which rose from $1.0 billion as at March 31, 2004 to $1.7 billion as at March 31, 2005.

Moreover, the loan guarantee balance rose substantially, from $1.3 billion for the previous fiscal year to $1.6 billion.

The accumulated provision for losses reached $644.7 million as at March 31, 2005. Expressed as a percentage of the balance of the Corporation's financing operations portfolio, it has been relatively stable over the past five years, as shown in the table below:

Accumulated Provision for Losses as % of Portfolio



The debt/equity ratio, representing the ratio of the Corporation's total short- and long-term debt over equity, progressed as follows:

Debt/Equity Ratio

Moreover, the ratio of equity over net value of the financing operations portfolio for which losses are assumed by the Corporation rose from 0.87 as at March 31, 2004 to 1.22 as at March 31, 2005, a reflection of the Corporation's sound capitalization with respect to the risk for which it assumes the losses.

Statement of Income

The Corporation posted net income of $51.8 million during the year ended March 31, 2005, compared with $41.3 million for the previous year. This increase is attributable to, among other things, a rise in interest income and a gain on disposal of shares of a limited partnership. For the same reasons, net income greatly exceeded the amount of $28.4 million forecast in the 2004–2007 business plan.

Moreover, total expense for the provision for losses stood at $165.7 million, representing 5.2% of the average financing operations portfolio, compared with $273.0 million, representing 10.3% of the average financing operations portfolio for 2003–2004. The expense for the provision for losses assumed by the Corporation amounted to $19.2 million (5.8% of the average portfolio), compared with $7.6 million (2.1% of the average portfolio) in 2003–2004. The Corporation had anticipated an expense of $20.7 million for this item in its business plan. However, the financial situation of client companies was much better than expected.

Administrative expenses totalled $40.2 million. Expressed as a percentage of the average balance of the financing operations portfolio, they progressed as follows:

Administrative Expenses as % of Average Portfolio

The Quebec government's contribution for administrative expenses was reduced in 2004–2005. Thus, the increase in the Corporation's expenses was financed with its operating income, which boosted the percentage of administrative expenses that it finances from 25% in 2000–2001 to 46% in 2004–2005, as shown in the following table:

Self-Financing Rate for Administrative Expenses (as %)

Financial Statements

Declaration of Responsibility for Financial Information

The preparation and presentation of the consolidated financial statements of Investissement Québec and other information disclosed in this annual report are the responsibility of management.

The consolidated financial statements have been drawn up in accordance with Canadian generally accepted accounting principles.

The financial information disclosed in the annual report is consistent with that contained in the financial statements.

The Corporation's accounting system as well as its internal controls and procedures are designed to ensure the reliability of financial data and to provide reasonable assurance that the Corporation's assets are adequately protected against any loss or unauthorized use.

The Board of Directors, which is responsible for monitoring the manner in which management fulfills its responsibilities regarding financial information, approved the financial statements. The Board is assisted in carrying out its mandate by the Audit and Human Resources Committee. This Committee meets with management and the auditor, reviews the financial statements, and recommends their approval to the Board. The Audit and Human Resources Committee also receives copies of the audit reports on the optimization of resources and compliance with laws and regulations, particularly the *Financial Administration Act*.

Jean Houde
President and Chief Executive Officer

André Côté
Vice-President, Administration

Auditor's Report

To the National Assembly,

I have audited the consolidated balance sheet of Investissement Québec as at March 31, 2005, and the consolidated statements of income, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, given the retroactive application of the change made to stock option premiums and explained in note 3, these principles have been applied on a basis consistent with that of the preceding year.

Renaud Lachance, CA
Auditor General of Québec

Québec City, May 30, 2005

Consolidated Balance Sheet

As at March 31 (in thousands of dollars)

	2005	2004 (restated) (note 3)
ASSETS		
Cash	–	2,469
Temporary investments (note 4)	9,588	4,990
Investments (note 5)	1,731,246	1,038,376
Loans, less accumulated provision for losses (notes 6 and 10)	744,925	801,978
Shares, less accumulated provision for losses (notes 7 and 10)	333,011	342,722
Units, less accumulated provision for losses (notes 8 and 10)	2,744	21,276
Accumulated provision for losses recoverable from the Québec government (note10)	558,956	562,751
Other assets (note 11)	136,861	78,806
	3,517,331	2,853,368
LIABILITIES AND EQUITY		
Liabilities		
Outstanding cheques less cash	904	–
Short-term debt (note 12)	235,900	370,900
Long-term debt (note 13)	2,810,017	2,003,146
Due and accrued interest on loans from the Fonds de financement du gouvernement du Québec	12,564	12,267
Accumulated provision for losses on guarantees (notes 9 and 10)	156,526	219,657
Other liabilities (note 14)	22,356	20,170
	3,238,267	2,626,140
Equity		
Initial equity	32,944	32,944
Surplus	246,120	194,284
	279,064	227,228
	3,517,331	2,853,368
Guarantees, less accumulated provision for losses (notes 9 and 10)	1,570,655	1,260,404

Financing commitments (note 27)

Other commitments (note 28)

Contingencies (note 31)

The notes are an integral part of the financial statements.

For the Board of Directors,

Jean Houde
Chairman of the Board

Leopold Beaulieu
Director

Consolidated Statement of Income

For the fiscal year ended March 31 (in thousands of dollars)

	2005	2004	2003
Income from operations			
Interest income and interest contribution from the Québec government (note 15)	121,105	97,354	63,903
Guarantee fees	14,636	12,525	11,360
Risk premiums			
Stock options (note 16)	2,409	4,150	5,288
Share-in-earnings and lump-sum premiums	3,814	3,055	2,412
Commitment fees	6,613	7,666	7,722
Other income (note 17)	27,091	5,379	1,601
	175,668	130,129	92,286
Expenses from operations			
Interest charges (note 18)	35,884	36,951	26,119
Financial contributions (note 19)	52,633	56,137	79,634
Financial contributions assumed by the Québec government (note 19)	(31,665)	(45,382)	(77,271)
Fees to financial intermediaries	26,464	17,747	10,435
Other expenses (note 20)	3,037	1,972	960
	86,353	67,425	39,877
Operating income before provision	89,315	62,704	52,409
Provision			
Provision for losses (note 10)	165,742	273,023	141,277
Provision for losses recoverable from the Québec government (note 10)	(146,542)	(265,415)	(125,450)
	19,200	7,608	15,827
Operating income	70,115	55,096	36,582
Administrative expenses			
Administrative expenses (note 21)	40,225	40,589	41,523
Administration fees – Québec government	(21,946)	(26,811)	(27,585)
	18,279	13,778	13,938
Net income	51,836	41,318	22,644

The notes are an integral part of the financial statements.

Consolidated Balance Sheet

As at March 31 (in thousands of dollars)

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Chairman of the Board

Léopold Beaulieu
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For the fiscal year ended March 31 (in thousands of dollars)

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	18,279	13,778	13,938
Net income	51,836	41,318	22,644

The notes are an integral part of the financial statements.

Consolidated Statement of Surplus

For the fiscal year ended March 31 (in thousands of dollars)

	2005	2004 (restated) (note 3)
Surplus at the beginning	194,284	149,014
Net income	51,836	41,318
Surplus at the end	246,120	190,332
Adjustment due to the change in the accounting policy regarding stock option premiums	–	3,952
Restated surplus at the end	246,120	194,284

The notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the fiscal year ended March 31 (in thousands of dollars)

	2005	2004	2003
Cash flows from operating activities			
Net income	51,836	41,318	22,644
Adjustments for:			
Amortization of issuance expenses on long-term debt	713	460	199
Amortization of discounts and premiums on long-term debt	(1,129)	(1,109)	(994)
Amortization of discounts and premiums on investments	(52,712)	(30,373)	(15,112)
Amortization of deferred fees to financial intermediaries	16,969	9,876	4,275
Gain on disposal of shares and units	(17,173)	(508)	(222)
Gain on disposal of investments	(887)	(504)	–
Non-realized exchange loss	629	–	–
Non-realized loss resulting from changes in the fair value of stock options	25	–	–
Transfer of deferred income	–	(192)	(192)
Provision for losses	165,742	273,023	141,277
Provision for losses recoverable from the Québec government	(146,542)	(265,415)	(125,450)
Amortization of tangible assets and limited-life intangible assets	859	1,921	2,218
Loss on disposal of tangible assets and limited-life intangible assets	208	–	–
Share of income – Affiliated company, Canadair Québec Capital S.E.N.C.	–	20	38
	18,538	28,517	28,681
Changes in non-cash items related to operating activities (note 22)	(51,843)	(12,865)	(27,217)
	(33,305)	15,652	1,464
Cash flows from investment activities			
Net decrease (increase) of temporary investments with a maturity of over three months following the acquisition date	(397)	69,083	(69,083)
Acquisition of investments	(740,816)	(600,019)	(267,941)
Disposal of investments	100,916	30,524	–
Net decrease (increase) of loans	7,968	(146,283)	(195,439)
Net decrease (increase) of shares	11,395	(300,076)	16,080
Net decrease (increase) of units	21,327	(236)	(82)
Acquisition of fixed assets	(688)	(572)	(910)
Deferred fees to financial intermediaries	(37,872)	(31,362)	(24,642)
	(638,167)	(978,941)	(542,017)
Cash flows from financing activities			
Net increase (decrease) in short-term debt	(135,000)	(28,700)	44,500
Long-term debt	821,200	1,140,820	674,089
Repayment of long-term debt	(13,200)	(140,916)	(205,982)
Deferred issuance expenses on long-term debt	(700)	(4,099)	(1,716)
	672,300	967,105	510,891
Net increase (decrease) of cash and cash equivalents	828	3,816	(29,662)
Cash and cash equivalents at beginning of year	7,459	3,643	33,305
Cash and cash equivalents at end of year	8,287	7,459	3,643
Cash and cash equivalents			
Cash	–	2,469	–
Temporary investments with a maturity not exceeding three months following the acquisition date	9,191	4,990	4,542
Outstanding cheques less cash	(904)	–	(899)
	8,287	7,459	3,643
Additional information			
Interest paid	35,901	30,156	30,740

The notes are an integral part of the financial statements.

Consolidated Statement of Surplus

For the fiscal year ended March 31 (in thousands of dollars)

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Surplus at the beginning	**194,284**	149,014
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Net decrease (increase) of temporary investments with a maturity of over three months following the acquisition date	(397)	69,083	(69,083)
Acquisition of investments	(740,816)	(600,019)	(267,941)
Disposal of investments	100,916	30,524	–
Net decrease (increase) of loans	7,968	(146,283)	(195,439)
Net decrease (increase) of shares	11,395	(300,076)	16,080
Net decrease (increase) of units	21,327	(236)	(82)
Acquisition of fixed assets	(688)	(572)	(910)
Deferred fees to financial intermediaries	(37,872)	(31,362)	(24,642)
	(638,167)	(978,941)	(542,017)
Cash flows from financing activities			
Net increase (decrease) in short-term debt	(135,000)	(28,700)	44,500
Long-term debt	821,200	1,140,820	674,089
Repayment of long-term debt	(13,200)	(140,916)	(205,982)
Deferred issuance expenses on long-term debt	(700)	(4,099)	(1,716)
	672,300	967,105	510,891
Net increase (decrease) of cash and cash equivalents	828	3,816	(29,662)
Cash and cash equivalents at beginning of year	7,459	3,643	33,305
Cash and cash equivalents at end of year	8,287	7,459	3,643
Cash and cash equivalents			
Cash	–	2,469	–
Temporary investments with a maturity not exceeding three months following the acquisition date	9,191	4,990	4,542
Outstanding cheques less cash	(904)	–	(899)
	8,287	7,459	3,643
Additional information			
Interest paid	35,901	30,156	30,740

The notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

As at March 31, 2005 (in thousands of dollars unless otherwise indicated)

1. Incorporating Legislation and Nature of Activities

Investissement Québec is a public law legal entity incorporated and governed under the *Act respecting Investissement Québec and La Financière du Québec* (R.S.Q., c. I-16.1), and, as such, is not subject to income taxes.

Investissement Québec's mission is to promote investment growth in Québec, thereby contributing to the economic development of Québec and job creation. It centralizes and consolidates Government action in research, promotion and support for investment. It strives not only to stimulate domestic investment, but also to attract outside investors by promoting Québec as an excellent place for investment. Investissement Québec participates in the growth of businesses by facilitating research and development as well as exports. By lending its support to companies already established here, it works to retain current investment in Québec. It can also offer companies and government departments, agencies and corporations a variety of technical services, particularly in the fields of financial analysis, credit arrangement and portfolio management. Investissement Québec administers the financial assistance programs developed by the government with regard to investment. The Corporation also administers the *Act respecting Québec Business Investment Companies* (R.S.Q., c. S-29.1), and fulfils any mandate assigned to it by the Government under sections 28 and 29 of its incorporating statute. It uses its financing operations to support Québec companies or companies that are setting up operations in Québec, mainly by granting them loans or guaranteeing the financial commitments they make to financial institutions. It also administers the financial assistance programs stemming from the *Act respecting assistance for the development of cooperatives and non-profit legal persons* (R.S.Q., c. S-12.1).

Section 46 of the *Act respecting Investissement Québec and La Financière du Québec* states that the parent company shall establish a business plan, which includes the activities of its subsidiaries, according to the form, content and frequency determined by the Québec government. This plan was approved on September 22, 2004 (decree number 878-2004) and ends on March 31, 2007. The plan provides that the Québec government contribute to the Corporation's financing by reimbursing most financial contributions and losses on certain financing operations, according to the terms and conditions of the programs or decrees under which they were set up, by paying it a contribution as interest on certain financing operations for which it refunds losses and by paying it fees.

Under decree number 315-2004, dated March 31, 2004, the Corporation acquired, on April 1, 2004, the assets, liabilities and guarantees of its subsidiary La Financière du Québec at a price equal to their book value. The acquisition price of $157.9 million was covered by an advance in the same amount. In addition, on April 27, 2004, the subsidiary redeemed 608,766 shares of its share capital, which was held by the Corporation, for an amount of $60.9 million.

2. Main Accounting Policies

The consolidated financial statements of the Corporation were prepared in accordance with Canadian generally accepted accounting principles. As such, management is required to make estimates and assumptions that influence the amounts and other information disclosed in the financial statements.

The consolidated financial statements comprise the financial statements of Investissement Québec and those of its wholly owned subsidiaries: IQ Immigrants Investisseurs inc., IQ FIER inc., 9037-6179 Québec inc., 9071-2076 Québec inc., 9109-3294 Québec inc. and La Financière du Québec.

Cash and Cash Equivalents

The Corporation presents, under cash and cash equivalents, cash on hand, temporary investments maturing no later than three months following their acquisition date, as well as outstanding cheques less cash or bank overdraft, as is the case.

Investments

Notes receivable from the Québec government are accounted for at cost and discounts on acquisition of investments are charged to the statement of income according to the real-interest method until maturity.

Investments in affiliated companies are accounted for under the equity method.

Other investments are accounted for at cost and, if necessary, discounts and premiums on acquisition of investments are charged to the statement of income according to the straight-line method until maturity.

Loans, Shares and Units

Loans (including accrued interest receivable), shares and units are recorded at cost. When the credit rating has deteriorated to the extent that there is no reasonable assurance that a loan (principal and interest) will be collected in full, the loan is considered doubtful. The decrease in the book value then recognized and any subsequent changes are applied to the provision for losses.

When a loan for which losses are not refunded by the Québec government becomes doubtful and the borrower owes more than three months' interest, the interest ceases to be recognized. The interest received on such loans is recorded as a recovery up to the amount written off or for which a provision has been entered, and is subsequently recorded as interest income.

Foreclosed assets are considered as doubtful loans and are recorded at their fair value at the time of foreclosure. The decrease in the book value is then recognized. Any subsequent decrease is applied to the provision for losses.

The book value of loans for which losses are not refunded by the Québec government, restructured as low-interest loans, interest-free loans or preferred shares, is recorded at the present value of net cash flows receivable pursuant to the new conditions, at the real interest rate inherent in the loan. The decrease in the book value resulting from the restructuring is charged to the provision for losses. The increase in the present value, attributable to the passage of time, is accounted for as interest income.

Common shares stemming from restructured loans for which losses are not refunded by the Québec government are recorded at their book value immediately after the loans have been restructured. The difference between the book value of a loan prior to restructuring and the book value of the resulting shares is applied to the provision for losses. Any subsequent decrease in the book value of the shares is also applied to the provision for losses. Any subsequent increase is recognized only upon the sale of the shares, as a gain on the disposal of shares during the current year.

Guarantees

Guarantees, less the accumulated provision for losses, are an off-balance-sheet financial instrument.

Guarantee claims are recorded once they have been approved by the Corporation. Disbursements are then applied to reduce the accumulated provision for losses on guarantees and the guarantees balance is reduced accordingly.

When the Corporation considers that there is reasonable assurance that a loan will be repaid, these disbursements are recorded as assets in accordance with the accounting policies applicable to loans, shares and units.

Accumulated Provision for Losses

The accumulated provision for losses on loans, shares and units is shown on the Corporation's balance sheet, offset against the value of its assets. The accumulated provision for losses on loan guarantees is shown as a liability on the balance sheet. According to the Corporation, these provisions represent the most accurate estimate possible of the foreseeable amounts for losses on financing operations that are part of its portfolio.

Except for companies that benefit from business start-up and re-start investment programs and special class shares programs, client companies are classified under seven risk categories, determined using solvency and credit criteria; this classification is updated regularly.

One of these categories is insolvent clients, while two others refer to companies that are likely to become insolvent in the short term. All doubtful loans are found in one of these categories. The provision for losses on financing operations included in these three categories corresponds to the balance of each operation, less the estimated realizable value of securities, to which a percentage adjustment is applied based on loan collection experience for the companies in these categories. When a company assigned to either category is winding up, has ceased repaying the Corporation and is unlikely to put its finances in order, the related financing operations are written off.

The four other risk categories comprise companies whose financial profile corresponds to that of the Corporation's target clientele. A group provision is calculated for each of these categories by applying a provision rate to the balance of the financing operations. The provision rate for each category is based on a statistical analysis of the number of companies that have been downgraded and the size of the losses noted or deemed probable over a given previous period.

Companies for which the Corporation's financing operations show an exceptionally high cumulative balance or present specific characteristics are subject to a specific provision for losses analysis, regardless of their risk category.

A global provision is calculated for business start-up and re-start investment programs. This provision corresponds to the amount of authorized guarantees to which a rate based on past experience is applied, less disbursements in respect of loan guarantees under these programs.

Certain loans may be forgiven according to the conditions set out in the loan agreement. The provision for losses on these loans takes into account the insolvency risks mentioned above and the inherent risk in the loan agreement.

Special class shares are non-participating shares, with no dividends and no redemption date. These shares are subject to a specific provision for losses analysis.

Receivable from the Quebec Government

The Quebec government contributes to the Corporation's financing by reimbursing most financial contributions and losses on certain financing operations, by paying interest contributions on certain financing operations, and by paying fees to the Corporation. The receivable balance for these contributions appears under the heading "Other Assets."

Tangible Assets

Tangible assets are recorded at cost. They are depreciated as of their start-up date, according to their estimated useful lives, under the straight-line method, at the following rates:

Computer equipment	33 1/3%
Office furniture	10%
Leasehold improvement	10%

Limited-Life Intangible Assets

Software and information systems development are recorded at cost. They are depreciated as of their start-up date, according to their estimated useful lives, under the straight-line method, at the following rates:

Software	33 1/3%
Information systems development	20%

Issuance Expenses, Long-Term Debt Discounts and Premiums

Issuance expenses, long-term debt discounts and premiums are deferred and amortized over the term of the related loan according to the straight-line method. Deferred issuance expenses on long-term debt are included in other assets. Deferred discounts and premiums are presented as a deduction from or addition to the loans with which they are associated.

Land held for decontamination purposes

Land is valued at cost or the net realizable value, whichever is lower.

Risk Premiums

When approving a financing operation, the Corporation generally requires a risk premium from the client company. The stock option premium is recorded at fair value. The share-in-earnings premium is payable and recorded no later than six months after the end of the company's fiscal year. The lump-sum premium is recorded when due according to the contract.

Gains on the disposal of shares acquired following the exercise of an option are shown under the heading "Risk Premiums – Stock Options" in the Corporation's statement of income.

Financial Contributions

Financial contributions are made up of non-refundable financial contributions and conditional-refund financial contributions.

Financial contributions are charged to the statement of income for the fiscal year in which the Corporation approved the payment. The corresponding contribution from the Quebec government for the financial contributions it assumes is then deemed to have been earned by the Corporation and is recorded in the same fiscal year.

Subsequent recoveries of conditional-refund financial contributions are charged to the statement of income for the current fiscal year. The applicable Quebec government refund is also recorded in the statement of income for the current fiscal year.

Fees Paid to Financial Intermediaries

Through one of its subsidiaries, the Corporation pays fees to financial intermediaries for canvassing immigrant investors, for finding companies to recommend for a non-refundable financial contribution, and for closing immigrant investors' files.

Fees paid for canvassing an immigrant investor and fees paid for finding a company to recommend are accounted for once the company has accepted the financing operation. Fees paid for canvassing an immigrant investor are deferred and charged to the statement of income for the duration of the corresponding investment, namely five years, according to the straight-line depreciation method. Fees for closing an immigrant investor's file are recorded on the date the file is closed.

Financial Derivative Instruments

The Corporation holds financial derivative instruments for the purpose of managing the interest rate risk stemming from positions appearing in the balance sheet. These financial instruments are accounted for at fair value, and the resulting gains or losses are applied to income, as an interest rate adjustment. Unmatured financial instruments are disclosed under "Other Assets" and "Other Liabilities."

Currency Translation

Monetary assets and liabilities and guarantees expressed in foreign currency are translated into Canadian dollars at the rate applicable on the date of the balance sheet. Income and expenses denominated in foreign currency are, for their part, translated into Canadian dollars at the prevailing exchange rate on the transaction date.

Pension Plans

The Corporation contributes to government multi-employer defined-benefit pension plans. However, these contributions are accounted for according to the accounting policies concerning defined contribution plans, since the Corporation's obligations toward these government plans are limited to its contributions as an employer.

The Corporation also instituted an optional supplementary pension plan in order to pay retirement benefits to certain members of senior management, in addition to those paid under the basic pension plan. The cost of the retirement benefits accumulated by these employees is established through actuarial calculations based on the defined-benefit method according to years of service, using management's most probable assumptions regarding the expected return on plan investments, the increase in salaries and the retirement age of employees.

3. Change in the Accounting Policies

The Corporation changed the accounting treatment of stock option risk premiums following the implementation of the EIC-128 regarding the "Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments" issued by the Emerging Issues Committee of the Canadian Institute of Chartered Accountants. Thus, since July 1, 2004, the Corporation has adopted the fair value method.

This change in the accounting policies was applied retroactively by restating the consolidated balance sheet as at March 31, 2004 to take into account the variation between the fair value and the acquisition cost of stock options. As a result, the surplus, as well as other assets, were increased by $3.9 million.

4. Temporary Investments

	2005	2004
Temporary investments with a maturity not exceeding three months following the acquisition date:		
Deposit certificates, from 2.50% to 2.56%, maturing in April 2005	7,699	4,592
Canada Treasury Bills, from 2.43% to 2.48%, maturing between April and June 2005	1,492	198
Canada Treasury Bills, with a maturity exceeding three months following the acquisition date, from 2.43% to 2.56%, maturing between May and July 2005	397	–
	9,588	4,990

5. Investments

	2005	2004
Notes receivable from the Québec government, from 3.56% to 6.01%, maturing between January 2006 and March 2010, nominal value of $1.8 billion	1,561,067	921,587
Bonds and other debt instruments, from 2.88% to 7.07%, maturing between April 2006 and January 2015, nominal value of $97.5 million	102,335	69,636
Money market securities – Mutual funds	34,539	23,448
Shares and other equity	33,021	23,682
Affiliated company – FIER Partenaires inc., valued under the equity accounting method	1	–
Affiliated company – FIER Partenaires, s.e.c., valued under the equity accounting method	197	–
Affiliated company, Canadair Québec Capital S.E.N.C., valued under the equity accounting method	86	23
	1,731,246	1,038,376

The amount of investments denominated in US dollars totalled $8.6 million in Canadian dollars as at March 31, 2005 ($5.7 million as at March 31, 2004).

The maturities of the investments, at nominal value, are as follows:	
2006	1,527
2007	201,885
2008	321,378
2009	507,137
2010 and beyond	631,475
No maturity	67,844
	1,731,246

4. Temporary Investments

	2005	2004
Temporary investments with a maturity not exceeding three months following the acquisition date		
Deposit certificates, from 2.50% to 2.56%, maturing in April 2005	7,699	4,592
Canada Treasury Bills, from 2.43% to 2.48%, maturing between April and June 2005	1,492	398
Canada Treasury Bills, with a maturity exceeding three months following the acquisition date, from 2.43% to 2.56%, maturing between May and July 2005	397	-
	9,588	4,990

5. Investments

	2005	2004
Notes receivable from the Québec government, from 3.58% to 6.01%, maturing between January 2006 and March 2010, nominal value of $1.8 billion	1,561,067	921,587
Bonds and other debt instruments, from 2.88% to 7.07%, maturing between April 2006 and January 2015, nominal value of $97.5 million	102,335	69,636
Money market securities – Mutual funds	34,539	23,448
Shares and other equity	33,021	23,682
Affiliated company – FIER Partenaires inc., valued under the equity accounting method	1	-
Affiliated company – FIER Partenaires s.e.c., valued under the equity accounting method	197	
Affiliated company, Canadian Québec Capital S.E.N.C., valued under the equity accounting method	86	23
	1,731,246	1,038,376

The amount of investments denominated in U.S. dollars totalled $8.6 million (in Canadian dollars as at March 31, 2005 – $5.7 million as at March 31, 2004).

The maturities of the investments, at nominal value, are as follows:

2006	1,527
2007	201,885
2008	321,378
2009	507,137
2010 and beyond	631,475
No maturity	67,844
	1,731,246

6. Loans, Less Accumulated Provision for Losses

			2005	2004
	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	Total	Total
Loans				
Interest-bearing				
Fixed rate	5,319	137,032	142,351	107,912
Variable rate	33,352	146,746	180,098	305,966
	38,671	283,778	322,449	413,878
Interest-free	190	413,857	414,047	433,738
Restructured	2,016	–	2,016	1,640
Doubtful	33,447	397,285	430,732	327,956
	74,324	1,094,920	1,169,244	1,177,212
Accumulated provision for losses				
Interest-bearing loans	(7,135)	(41,009)	(48,144)	(46,688)
Interest-free loans	(40)	(61,421)	(61,461)	(29,756)
Restructured loans	(1,382)	–	(1,382)	(539)
Doubtful loans	(22,427)	(290,905)	(313,332)	(298,251)
	(30,984)	(393,335)	(424,319)	(375,234)
	43,340	701,585	744,925	801,978
Anticipated cash receipts from loans, according to contractual provisions, are as follows:				
Less than one year	19,181	129,640	148,821	132,067
From 1 to 2 years	12,373	137,330	149,703	99,579
From 2 to 3 years	11,176	87,225	98,401	147,645
From 3 to 4 years	6,501	92,871	99,372	115,746
From 4 to 5 years	10,431	96,065	106,496	99,409
From 5 to 10 years	14,176	412,151	426,327	419,629
From 10 to 20 years	486	139,638	140,124	163,137
	74,324	1,094,920	1,169,244	1,177,212

7. Shares, Less Accumulated Provision for Losses

	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	2005 Total	2004 Total
Shares				
Common	1,178	28,175	29,353	36,116
Preferred	1,459	346,077	347,536	348,288
Of a special class	–	5,972	5,972	7,763
Common shares from restructured loans	725	–	725	725
Preferred shares from restructured loans	427	–	427	398
	3,789	380,224	384,013	393,290
Accumulated provision for losses				
Common shares	(507)	(12,862)	(13,369)	(14,285)
Preferred shares	(1,053)	(29,687)	(30,740)	(27,640)
Special class of shares	–	(5,972)	(5,972)	(7,763)
Common shares from restructured loans	(580)	–	(580)	(546)
Preferred shares from restructured loans	(341)	–	(341)	(334)
	(2,481)	(48,521)	(51,002)	(50,568)
	1,308	331,703	333,011	342,722
Share redemption maturities are as follows:				
Less than one year	50	80	130	218
From 1 to 2 years	449	80	529	95
From 2 to 3 years	23	80	103	493
From 3 to 4 years	75	53	128	95
From 4 to 5 years	75	52	127	120
From 5 to 10 years	180	17,620	17,800	17,827
From 10 to 20 years	–	45,000	45,000	45,000
More than 20 years	–	260,000	260,000	260,000
	852	322,965	323,817	323,848
No maturity	2,937	57,259	60,196	69,442
	3,789	380,224	384,013	393,290

The Corporation holds shares issued by public companies. The net book value of these shares as at March 31, 2005 was $53.1 million ($89.1 million as at March 31, 2004). According to stock market quotations as at March 31, 2005, these shares had a value of $60.0 million ($147.7 million as at March 31, 2004).

The Corporation has a put option on the common shares that it holds in a company. The put can be exercised in part (76.8%) as of January 2006 and in whole as of January 2009. Based on the minimum redemption price specified in the contract, the gain resulting from the full exercise of this put would be $8.2 million.

6. Loans, Less Accumulated Provision for Losses

			2005	2004
	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	Total	Total
Loans				
Interest-bearing				
Fixed rate[1]	5,319	137,032	142,351	107,912
Variable rate[2]	33,352	146,746	180,098	305,966
	38,671	283,778	322,449	413,878
Interest-free	190	413,857	414,047	433,738
Restructured	2,016	–	2,016	1,640
Doubtful	33,447	397,285	430,732	327,956
	74,324	1,094,920	1,169,244	1,177,212
Accumulated provision for losses				
Interest-bearing loans	(7,135)	(41,009)	(48,144)	(46,688)
Interest-free loans	(40)	(61,421)	(61,461)	(29,756)
Restructured loans	(1,382)	–	(1,382)	(539)
Doubtful loans	(22,427)	(290,905)	(313,332)	(298,251)
	(30,984)	(393,335)	(424,319)	(375,234)
	43,340	701,585	744,925	801,978
Anticipated cash receipts from loans, according to contractual provisions, are as follows:				
Less than one year	19,181	129,640	148,821	132,067
From 1 to 2 years	12,373	137,330	149,703	99,579
From 2 to 3 years	11,176	87,225	98,401	147,645
From 3 to 4 years	6,501	92,871	99,372	115,746
From 4 to 5 years	10,431	96,065	106,496	99,409
From 5 to 10 years	14,176	412,151	426,327	419,629
From 10 to 20 years	486	139,638	140,124	163,137
	74,324	1,094,920	1,169,244	1,177,212

(1) Fixed interest rates ranged between 2.75% and 12.00% as at March 31, 2005 (between 3.00% and 12.00% as at March 31, 2004).
(2) The Corporation's variable interest rate was 5.75% as at March 31, 2005 (5.50% as at March 31, 2004).

7. Shares, Less Accumulated Provision for Losses

	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	2005 Total	2004 Total
Shares				
Common	1,178	28,175	29,353	36,116
Preferred	1,459	346,077	347,536	348,288
Of a special class	–	5,972	5,972	7,763
Common shares from restructured loans	725	–	725	725
Preferred shares from restructured loans	427	–	427	398
	3,789	380,224	384,013	393,290
Accumulated provision for losses				
Common shares	(507)	(12,862)	(13,369)	(14,285)
Preferred shares	(1,053)	(29,687)	(30,740)	(27,640)
Special class of shares	–	(5,972)	(5,972)	(7,763)
Common shares from restructured loans	(580)	–	(580)	(546)
Preferred shares from restructured loans	(341)	–	(341)	(334)
	(2,481)	(48,521)	(51,002)	(50,568)
	1,308	331,703	333,011	342,722
Share redemption maturities are as follows:				
Less than one year	50	80	130	218
From 1 to 2 years	449	80	529	95
From 2 to 3 years	23	80	103	493
From 3 to 4 years	75	53	128	95
From 4 to 5 years	75	52	127	120
From 5 to 10 years	180	17,620	17,800	17,827
From 10 to 20 years	–	45,000	45,000	45,000
More than 20 years	–	260,000	260,000	260,000
	852	322,965	323,817	323,848
No maturity	2,937	57,259	60,196	69,442
	3,789	380,224	384,013	393,290

The Corporation holds shares issued by public companies. The net book value of these shares as at March 31, 2005 was $5.1 million ($9.1 million as at March 31, 2004). According to stock market quotations as at March 31, 2005, these shares had a value of $6.0 million ($14.7 million as at March 31, 2004).

The Corporation has a put option on the common shares that it holds in a company. The put can be exercised in part (76.8%) as of January 2006 and in whole as of January 2009. Based on the minimum redemption price specified in the contract, the gain resulting from the full exercise of this put would be $8.2 million.

8. Units, Less Accumulated Provision for Losses

			2005	2004
	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	Total	Total
Units				
Preferred of cooperatives	270	2,744	3,014	2,960
Of a limited partnership	–	11,639	11,639	18,949
Preferred of cooperatives from restructured loans	984	–	984	–
	1,254	14,383	15,637	21,909
Accumulated provision for losses				
Preferred units of cooperatives	(186)	(802)	(988)	(633)
Units of a limited partnership	–	(11,639)	(11,639)	–
Preferred units of cooperatives from restructured loans	(266)	–	(266)	–
	(452)	(12,441)	(12,893)	(633)
	802	1,942	2,744	21,276
Unit redemption maturities are as follows:				
Less than one year	225	79	304	6,459
From 1 to 2 years	–	31	31	6,365
From 2 to 3 years	–	38	38	6,385
From 3 to 4 years	–	38	38	80
From 4 to 5 years	–	38	38	77
From 5 to 10 years	639	325	964	598
From 10 to 20 years	344	–	344	–
	1,208	549	1,757	19,964
No maturity	46	13,834	13,880	1,945
	1,254	14,383	15,637	21,909

9. Guarantees, Less Accumulated Provision for Losses

			2005	2004
	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	Total	Total
Garantees				
Loans	194,378	309,231	503,609	590,319
Financial commitment	41,006	1,182,566	1,223,572	889,742
	235,384	1,491,797	1,727,181	1,480,061
Accumulated provision for losses				
Loan guarantees	(40,235)	(59,692)	(99,927)	(144,144)
Financial commitment guarantees	(11,632)	(44,967)	(56,599)	(75,513)
	(51,867)	(104,659)	(156,526)	(219,657)
	183,517	1,387,138	1,570,655	1,260,404
Loan guarantee balance, broken down according to maturity:				
Less than one year	49,916	45,368	95,284	150,272
From 1 to 2 years	17,591	21,708	39,299	37,603
From 2 to 3 years	8,307	11,297	19,604	76,725
From 3 to 4 years	25,071	18,201	43,272	29,290
From 4 to 5 years	25,047	18,879	43,926	54,575
From 5 to 10 years	103,472	190,412	293,884	274,286
From 10 to 20 years	5,980	1,185,932	1,191,912	857,310
	235,384	1,491,797	1,727,181	1,480,061

The amount of guarantees denominated in US dollars totalled $1.2 billion in Canadian dollars as at March 31, 2005 ($835.6 million as at March 31, 2004) and the amount of guarantees denominated in other currencies stood at $39.0 million in Canadian dollars as at March 31, 2005 ($41.8 million as at March 31, 2004).

8. Units, Less Accumulated Provision for Losses

			2005	2004
	Losses Not Refunded by the Quebec Government	Losses Refunded by the Quebec Government	Total	Total
Units				
Preferred of cooperatives	270	2,744	3,014	2,960
Of a limited partnership	–	11,639	11,639	18,949
Preferred of cooperatives from restructured loans	984	–	984	–
	1,254	14,383	15,637	21,909
Accumulated provision for losses				
Preferred units of cooperatives	(186)	(802)	(988)	(633)
Units of a limited partnership	–	(11,639)	(11,639)	–
Preferred units of cooperatives from restructured loans	(266)	–	(266)	–
	(452)	(12,441)	(12,893)	(633)
	802	1,942	2,744	21,276
Unit redemption maturities are as follows:				
Less than one year	225	79	304	6,459
From 1 to 2 years	–	31	31	6,365
From 2 to 3 years	–	38	38	6,385
From 3 to 4 years	–	38	38	80
From 4 to 5 years	–	38	38	77
From 5 to 10 years	639	325	964	598
From 10 to 20 years	344	–	344	–
	1,208	549	1,757	19,964
No maturity	46	13,834	13,880	1,945
	1,254	14,383	15,637	21,909

9. Guarantees, Less Accumulated Provision for Losses

	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government	2005 Total	2004 Total
Garantees				
Loans	194,378	309,231	503,609	590,319
Financial commitment	41,006	1,182,566	1,223,572	889,742
	235,384	1,491,797	1,727,181	1,480,061
Accumulated provision for losses				
Loan guarantees	(40,235)	(59,692)	(99,927)	(144,144)
Financial commitment guarantees	(11,632)	(44,967)	(56,599)	(75,513)
	(51,867)	(104,659)	(156,526)	(219,657)
	183,517	1,387,138	1,570,655	1,260,404
Loan guarantee balance, broken down according to maturity:				
Less than one year	49,916	45,368	95,284	150,272
From 1 to 2 years	17,591	21,708	39,299	37,603
From 2 to 3 years	8,307	11,297	19,604	76,725
From 3 to 4 years	25,071	18,201	43,272	29,290
From 4 to 5 years	25,047	18,879	43,926	54,575
From 5 to 10 years	103,472	190,412	293,884	274,286
From 10 to 20 years	5,980	1,185,932	1,191,912	857,310
	235,384	1,491,797	1,727,181	1,480,061

The amount of guarantees denominated in US dollars totalled $1.2 billion in Canadian dollars as at March 31, 2005 ($853.6 million as at March 31, 2004) and the amount of guarantees denominated in other currencies stood at $39.0 million in Canadian dollars as at March 31, 2005 ($41.8 million as at March 31, 2004).

10. Accumulated Provision for Losses

	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government[1]	2005 Total	2004 Total
Balance at beginning of year	83,341	562,751	646,092	437,944
Provision for losses[2]	19,200	146,542	165,742	273,023
Recoveries	449	196	645	620
Write-offs[3]	(6,640)	(82,556)	(89,196)	(47,709)
Guarantee disbursements that did not create an asset	(10,566)	(67,977)	(78,543)	(17,786)
Balance at end of year	85,784	558,956	644,740	646,092
Accumulated provision for losses, broken down as follows:				
Loans	30,984	393,335	424,319	375,234
Shares	2,481	48,521	51,002	50,568
Units	452	12,441	12,893	633
Guarantees	51,867	104,659	156,526	219,657
	85,784	558,956	644,740	646,092

The Corporation can demand that companies provide securities and sureties. The nature of the securities generally concerns the universality of the client company's assets, notably land, buildings, equipment, machinery and furniture. However, the provision for losses takes into account only the value of securities and sureties related to companies that are insolvent or that would likely become insolvent over the short term. The value of securities and sureties related to loans, shares and units stood at $117.7 million as at March 31, 2005 ($108.2 million as at March 31, 2004) and that of securities and sureties related to guarantees concerning companies that are insolvent or that would likely become insolvent over the short term stood at $24.6 million as at March 31, 2005 ($24.2 million as at March 31, 2004).

(1) Corresponds to the "Accumulated provision for losses recoverable from the Québec government" shown as an asset on the balance sheet.
(2) Includes an amount of $3.1 million for exchange gains as at March 31, 2005 ($2.5 million as at March 31, 2004).
(3) Write-offs in the form of restructured loans as well as write-offs for shares from restructured loans amount to $0.8 million for the fiscal year ended March 31, 2005 ($1.3 million as at March 31, 2004).

11. Other Assets

	2005	2004 (restated) (note 3)
Receivable from the Québec government	48,171	12,437
Stock options	3,927	3,952
Deferred fees to financial intermediaries	71,009	50,106
Interest and dividends receivable on investments	1,805	1,117
Deferred issuance expenses on long-term debt[1]	5,194	5,207
Assets related to financial derivative instruments	–	15
Tangible assets, less accumulated amortization of $3.0 million ($2.6 million as at March 31, 2004)	2,138	2,542
Limited-life intangible assets, less accumulated amortization of $6.1 million ($5.8 million as at March 31, 2004)	604	579
Land held for decontamination purposes (note 31)[2]	–	297
Other receivables	4,013	2,554
	136,861	78,806

(1) From transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) The tenant has the option to buy the land for one dollar.

12. Short-Term Debt

	2005	2004
Banker's acceptances – financial institutions, from 2.64% to 2.65%, maturing in April 2005	127,200	44,000
Notes – financial institutions, from 2.65% to 2.68%, maturing in April and May 2005	44,200	193,900
Notes – Fonds de financement du gouvernement du Québec, 2.63%, maturing in April 2005	64,500	133,000
	235,900	370,900

Under decrees numbers 310-2002 and 311-2002, dated March 20, 2002, the Corporation is authorized to contract active short-term loans totalling up to $600 million, until September 30, 2006, with financial institutions or the Fonds de financement du gouvernement du Québec. In addition, under decree number 675-2004, dated June 30, 2004, the Minister of Economic Development, Innovation and Export Trade is authorized to pay the Corporation the amounts required to offset the non-fulfillment of obligations stemming from loans with the Fonds de financement du gouvernement du Québec.

As at March 31, 2005, the Corporation had bank credit lines of $10 million, renewable in July 2005. The used amounts bear interest at the lender's prime rate.

10. Accumulated Provision for Losses

	Losses Not Refunded by the Québec Government	Losses Refunded by the Québec Government[1]	2005 Total	2004 Total
Balance at beginning of year	83,341	562,751	646,092	437,944
Provision for losses[2]	19,200	146,542	165,742	273,023
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Units	452	12,441	12,893	633
Guarantees	51,867	104,659	156,526	219,657
	85,784	558,956	644,740	646,092

The Corporation can demand that companies provide securities and sureties. The nature of the securities generally concerns the universality of the client company's assets, notably land, buildings, equipment, machinery and furniture. However, the provision for losses takes into account only the value of securities and sureties related to companies that are insolvent or that would likely become insolvent over the short term. The value of securities and sureties related to loans, shares and units stood at $117.7 million as at March 31, 2005 ($108.2 million as at March 31, 2004) and that of securities and sureties related to guarantees concerning companies that are insolvent or that would likely become insolvent over the short term stood at $24.6 million as at March 31, 2005 ($24.2 million as at March 31, 2004).

(1) Corresponds to the "Accumulated provision for losses recoverable from the Québec government" shown as an asset on the balance sheet.
(2) Includes an amount of $3.1 million for exchange gains as at March 31, 2005 ($2.5 million as at March 31, 2004).
(3) Write-offs in the form of restructured loans as well as write-offs for shares from restructured loans amount to $0.8 million for the fiscal year ended March 31, 2005 ($1.3 million as at March 31, 2004).

11. Other Assets

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Other receivables	4,013	2,554
	136,861	78,806

(1) From transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) The tenant has the option to buy the land for one dollar.

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	2005	2004
Banker's acceptances – financial institutions, from 2.64% to 2.65%, maturing in April 2005	127,200	44,000
Notes – financial institutions, from 2.65% to 2.68%, maturing in April and May 2005	44,200	193,900
Notes – Fonds de financement du gouvernement du Québec, 2.63%, maturing in April 2005	64,500	133,000
	235,900	370,900

Under decrees numbers 310-2002 and 311-2002, dated March 20, 2002, the Corporation is authorized to contract active short-term loans totalling up to $600 million, until September 30, 2006, with financial institutions or the Fonds de financement du gouvernement du Québec. In addition, under decree number 675-2004, dated June 30, 2004, the Minister of Economic Development, Innovation and Export Trade is authorized to pay the Corporation the amounts required to offset the non fulfillment of obligations stemming from loans with the Fonds de financement du gouvernement du Québec.

As at March 31, 2005, the Corporation had bank credit lines of $10 million, renewable in July 2005. The used amounts bear interest at the lender's prime rate.

13. Long-Term Debt

	2005	2004
Notes – Fonds de financement du gouvernement du Québec:		
– at the banker's acceptance rate (1 month) plus 0.19%, maturing in October 2007	75,000	75,000
– at the banker's acceptance rate (1 month) plus 0.28%, maturing in July 2009	175,000	175,000
– 4.33%, maturing in July 2010	28,200	28,200
– 8.00%, maturing in December 2010, nominal value of $75.6 million (effective rate of 6.07%)	81,997	83,126
– at the banker's acceptance rate (3 months) plus 0.15%, maturing in October 2013	100,000	100,000
– at the banker's acceptance rate (1 month) plus 0.08%, maturing in October 2013	60,000	60,000
– at the banker's acceptance rate (1 month) plus 0.05%, maturing in October 2013[1]	162,500	162,500
– at the banker's acceptance rate (1 month) plus 0.12%, maturing in October 2013	134,120	134,120
– at the banker's acceptance rate (1 month) plus 0.09%, maturing in October 2013[1]	52,500	52,500
– at the banker's acceptance rate (1 month) plus 0.10%, maturing between February 2012 and May 2014	100,000	–
– at the banker's acceptance rate (1 month) plus 0.21%, maturing in June 2032	47,500	47,500
Notes – immigrant investors, interest-free, maturing between January 2006 and April 2010[2]	1,793,200	1,085,200
	2,810,017	2,003,146

Repayments of the principal on long-term debt are as follows:	
2006	1,600
2007	188,800
2008	404,600
2009	553,600
2010	892,200
2011 and beyond	769,217
	2,810,017

Under decrees numbers 482-2002 and 483-2002, dated April 24, 2002 and amended by decree number 342-2003, dated March 5, 2003, the Corporation is authorized to contract long-term loans totalling up to $1.5 billion, until September 30, 2006, with the Fonds de financement du gouvernement du Québec. In addition, under decree number 673-2004, dated June 30, 2004, the Minister of Economic Development, Innovation and Export Trade is authorized to pay the Corporation the amounts required to offset the non-fulfillment of obligations stemming from loans with the Fonds de financement du gouvernement du Québec.

(1) The Corporation has the option of renewing this loan, for a maximum period of 20 years from the maturity of the initial loan.
(2) Payment of principal is guaranteed by Québec.

14. Other Liabilities

	2005	2004
Financial contributions and guarantees payable	5,203	4,607
Fees payable to financial intermediaries	554	702
Deferred income[1]	2,053	1,982
Sick leave and vacations payable (note 30)	9,990	9,863
Other payables[2]	4,556	3,016
	22,356	20,170

(1) Include the deferred contribution of the Ministère du Développement économique, de l'Innovation et de l'Exportation to the Investors and Promoters Data Bank for an amount of $50,000 as at March 31, 2005 ($50,000 as at March 31, 2004).
(2) Include $0.3 million due to related entities as at March 31, 2005 ($0.2 million as at March 31, 2004).

15. Interest Income and Interest Contribution from Québec Government

	2005	2004	2003
Interest on loans	39,143	36,940	25,198
Interest on notes receivable from Québec government	54,345	30,985	15,112
Interest on cash and temporary investments	197	1,741	1,669
Interest contribution from Québec government on certain low-yield or zero-yield financing operations[1]	27,420	27,688	21,924
	121,105	97,354	63,903

(1) This contribution concerns financing operations for which rates are refunded by the Québec government. It corresponds to the output of the Corporation's average borrowing rate over the term of these operations.

16. Risk Premiums – Stock Options

	2005	2004	2003
Gain on disposal of stock options	878	331	377
Gain on disposal of shares stemming from the execution of stock options	1,556	3,819	4,911
Non-realized loss resulting from changes in the fair value of stock options	(25)	–	–
	2,409	4,150	5,288

13. Long-Term Debt

	2005	2004
Notes – Fonds de financement du gouvernement du Québec:		
– at the banker's acceptance rate (1 month) plus 0.19%, maturing in October 2007	75,000	75,000
– at the banker's acceptance rate (1 month) plus 0.28%, maturing in July 2009	175,000	175,000
– 4.33%, maturing in July 2010	28,200	28,200
– 8.00%, maturing in December 2010, nominal value of $75.6 million (effective rate of 6.07%)	81,997	83,126
– at the banker's acceptance rate (3 months) plus 0.15%, maturing in October 2013	100,000	100,000
– at the banker's acceptance rate (1 month) plus 0.08%, maturing in October 2013	60,000	60,000
– at the banker's acceptance rate (1 month) plus 0.05%, maturing in October 2013	162,500	162,500
– at the banker's acceptance rate (1 month) plus 0.12%, maturing in October 2013	134,120	134,120
– at the banker's acceptance rate (1 month) plus 0.09%, maturing in October 2013	52,500	52,500
– at the banker's acceptance rate (1 month) plus 0.10%, maturing between February 2012 and May 2014	100,000	–
– at the banker's acceptance rate (1 month) plus 0.21%, maturing in June 2032	47,500	47,500
Notes – immigrant investors, interest-free, maturing between January 2006 and April 2010	1,793,200	1,085,200
	2,810,017	2,003,146

Repayments of the principal on long-term debt are as follows:

2006	1,600
2007	188,800
2008	404,600
2009	553,600
2010	892,200
2011 and beyond	769,217
	2,810,017

Under decrees numbers 482-2002 and 483-2002, dated April 24, 2002 and amended by decree number 342-2003, dated March 5, 2003, the Corporation is authorized to contract long-term loans totalling up to $1.5 billion, until September 30, 2006, with the Fonds de financement du gouvernement du Québec. In addition, under decree number 675-2004, dated June 30, 2004, the Minister of Economic Development, Innovation and Export Trade is authorized to pay the Corporation the amounts required to offset the non-fulfillment of obligations stemming from loans with the Fonds de financement du gouvernement du Québec.

(1) The Corporation has the option of renewing this loan, for a maximum period of 20 years from the maturity of the initial loan.
(2) Investment principal is guaranteed by Québec.

14. Other Liabilities

	2005	2004
Financial contributions and guarantees payable	5,203	4,607
Fees payable to financial intermediaries	554	702
Deferred income[1]	2,053	1,982
Sick leave and vacations payable (note 30)	9,990	9,863
Other payables[2]	4,556	3,016
	22,356	20,170

(1) Includes an amount deferred on initiation of the Ministère du Développement économique, de l'Innovation et de l'Exportation for the Investors and Promoters Data Bank for an amount of $50,000 as at March 31, 2005 ($50,000 as at March 31, 2004).
(2) Include $0.3 million due to related entities as at March 31, 2005 ($0.2 million as at March 31, 2004).

15. Interest Income and Interest Contribution from Quebec Government

	2005	2004	2003
Interest on loans	39,143	36,940	25,198
Interest on notes receivable from Québec government	54,345	30,985	15,112
Interest on cash and temporary investments	197	1,741	1,669
Interest contribution from Québec government on certain low-yield or zero-yield financing operations	27,420	27,688	21,924
	121,105	97,354	63,903

(1) The contribution covers financing operations for which rates are indexed to the Québec government's borrowing rate, the yield of investments or a combination of both.

16. Risk Premiums – Stock Options

	2005	2004	2003
Gain on disposal of stock options	878	331	377
Gain on disposal of shares stemming from the execution of stock options	1,556	3,819	4,911
Non-realized loss resulting from changes in the fair value of stock options	(25)	–	–
	2,409	4,150	5,288

17. Other Income

	2005	2004	2003
Gain on disposal of shares and units	17,173	508	222
Share of earnings distributed by a limited partnership	70	417	266
Dividends	3	–	–
Inducement fees	2,180	1,520	710
Attestation and certification fees	104	–	–
Income on other investments	4,564	1,857	–
Gain on disposal of investments	887	504	–
Other income from the Quebec government	1,885	512	322
Other income	225	61	81
	27,091	5,379	1,601

18. Interest Charges

	2005	2004	2003
Interest on long-term debt[1]	29,399	26,037	16,276
Interest on short-term debt and bank charges[1]	6,794	11,052	10,643
Net losses (net gains) on financial derivative instruments	107	511	(5)
Amortization of issuance expenses on long-term debt[1]	713	460	199
Amortization of long-term debt discounts and premiums[1]	(1,129)	(1,109)	(994)
	35,884	36,951	26,119

(1) [illegible]

(2) [illegible]

19. Financial Contributions

			2005	2004	2003
	Not Assumed by the Quebec Government	Assumed by the Quebec Government[1]	Total	Total	Total
Non-refundable financial contributions	20,968	30,818	51,786	52,218	77,037
Conditional-refund financial contributions	–	847	847	3,919	2,597
	20,968	31,665	52,633	56,137	79,634

(1) [illegible]

20. Other Expenses

	2005	2004	2003
Counter-guarantee fees	**2,180**	1,520	710
Share of income – Affiliated company, Canadair Québec Capital S.E.N.C.	**–**	20	38
Others	**857**	432	212
	3,037	1,972	960

21. Administrative Expenses[1]

	2005	2004	2003
Salaries and employee benefits	**28,228**	28,754	27,789
Rent	**2,320**	2,419	2,350
Travel, entertainment, advertising and promotion	**3,489**	3,375	4,393
Fees	**1,005**	762	988
Amortization of fixed assets	**859**	1,921	2,218
Others	**4,324**	3,358	3,785
	40,225	40,589	41,523

1. Includes $4[illegible] for the financial year ended March 31, 2005, $16[illegible] for the fiscal year ended March 31, 2004, $4[illegible] for the fiscal year ended March 31, 2003.

22. Changes in Non-Cash Items Related to Operating Activities

	2005	2004	2003
Other assets	**(37,569)**	204	(4,180)
Due and accrued interest on debt	**297**	6,898	(3,838)
Other liabilities	**2,186**	(3,084)	2,783
Accumulated provision for losses	**(167,094)**	(64,875)	(56,008)
Accumulated provision for losses recoverable from the Québec government	**150,337**	47,992	34,026
	(51,843)	(12,865)	(27,217)

17. Other Income

	2005	2004	2003
Gain on disposal of shares and units	17,173	508	222
Share of earnings distributed by a limited partnership	70	417	266
Dividends	3	–	–
Inducement fees	2,180	1,520	710
Attestation and certification fees	104	–	–
Income on other investments	4,564	1,857	–
Gain on disposal of investments	887	504	–
Other income from the Québec government	1,885	512	322
Other income	225	61	81
	27,091	5,379	1,601

18. Interest Charges

	2005	2004	2003
Interest on long-term debt[1]	29,399	26,037	16,276
Interest on short-term debt and bank charges[2]	6,794	11,052	10,643
Net losses (net gains) on financial derivative instruments	107	511	(5)
Amortization of issuance expenses on long-term debt[1]	713	460	199
Amortization of long-term debt discounts and premiums[1]	(1,129)	(1,109)	(994)
	35,884	36,951	26,119

(1) From transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) Interest charges on short-term loans taken out with the Fonds de financement du gouvernement du Québec totalled $2.1 million for the fiscal year ended March 31, 2005 ($3.8 million for the fiscal year ended March 31, 2004; $4.2 million for the fiscal year ended March 31, 2003).

19. Financial Contributions

			2005	2004	2003
	Not Assumed by the Québec Government	Assumed by the Québec Government[1]	Total	Total	Total
Non-refundable financial contributions	20,968	30,818	51,786	52,218	77,037
Conditional-refund financial contributions	–	847	847	3,919	2,597
	20,968	31,665	52,633	56,137	79,634

(1) Correspond to "Financial contributions assumed by the Québec government" shown in the consolidated statement of income.

20. Other Expenses

	2005	2004	2003
Counter-guarantee fees	2,180	1,520	710
Share of income – Affiliated company, Canadair Québec Capital S.E.N.C.	–	20	38
Others	857	432	212
	3,037	1,972	960

21. Administrative Expenses[1]

	2005	2004	2003
Salaries and employee benefits	28,228	28,754	27,789
Rent	2,320	2,419	2,350
Travel, entertainment, advertising and promotion	3,489	3,375	4,393
Fees	1,005	762	988
Amortization of fixed assets	859	1,921	2,218
Others	4,324	3,358	3,785
	40,225	40,589	41,523

(1) Includes $4.6 million for related entities for the fiscal year ended March 31, 2005 ($3.6 million for the fiscal year ended March 31, 2004; $4.0 million for the fiscal year ended March 31, 2003).

22. Changes in Non-Cash Items Related to Operating Activities

	2005	2004	2003
Other assets	(37,569)	204	(4,180)
Due and accrued interest on debt	297	6,898	(3,838)
Other liabilities	2,186	(3,084)	2,783
Accumulated provision for losses	(167,094)	(64,875)	(56,008)
Accumulated provision for losses recoverable from the Québec government	150,337	47,992	34,026
	(51,843)	(12,865)	(27,217)

23. Derivative Financial Instruments

When authorizing a financing operation, the Corporation generally requires a stock option risk premium from the client company. The Corporation also conducts transactions in the form of standardized futures contracts for the purchase or sale of financial instruments at specific prices and at future dates. Futures contracts are traded based on standardized amounts on organized exchanges and are subject to cash margins calculated on a daily basis.

The following table shows the fair value of the Corporation's portfolio of derivative financial instruments as at March 31, 2005, as represented by gains not realized in the case of stock options and by gains or losses not realized with regard to futures contracts.

			2005	2004 (restated) (note 3)
	Positive	Negative	Net Amount	Net Amount
Stock options	3,927	–	3,927	3,952
3-month futures contracts on banker's acceptances	42	–	42	(6)
10-year futures contracts on Canadian bonds	39	–	39	(9)
	4,008	–	4,008	3,937

24. Fair Market Value of Financial Instruments

Fair market value is designed to establish the approximate amounts at which financial instruments may be traded between unrelated parties acting freely under conditions of full competition in the normal course of business; the best indication of fair value is the market price.

When available, the market price is used by the Corporation to determine the fair market value of its financial instruments. When there are no markets or when the markets are not considered sufficiently liquid, the Corporation measures the fair value using valuation methods and assumptions. Given the role that judgement plays in the application of many accepted valuation and estimation techniques for calculating fair value, these techniques are not necessarily comparable among the different entities. Fair value is based on the market situation at a given point in time, and hence does not necessarily reflect the future fair market value of the instrument. It cannot be interpreted as the amount that would be received upon immediate settlement of the instruments.

The table below shows the fair value of balance-sheet and off-balance-sheet financial instruments, including derivatives, established using the valuation methods and assumptions described below. The fair value of assets and liabilities that are not considered financial instruments, such as tangible fixed assets and limited-life intangible assets, is not presented in the table.

	2005			2004 (restated)		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
BALANCE-SHEET FINANCIAL INSTRUMENTS						
Assets						
Cash, bank overdraft and temporary investments	8,684	8,684	–	7,459	7,459	–
Investments	1,730,962	1,762,962	32,000	1,038,353	1,082,364	44,011
Loans, less accumulated provision for losses[1]	744,925	655,927	(88,998)	801,978	672,302	(129,676)
Shares and units, less accumulated provision for losses[1]	335,755	81,015	(254,740)	363,998	90,813	(273,185)
Accumulated provision for losses recoverable from the Québec government	558,956	671,580	112,624	562,751	734,204	171,453[2]
Stock options	3,927	3,927	–	3,952	3,952	–
Futures contracts	–	–	–	15	15	–
Interest contributions from Québec government	–	134,791	134,791	–	122,013	122,013
Other assets	53,963	53,963	–	16,405	16,405	–
	3,437,172	3,372,849	(64,323)	2,794,911	2,729,527	(65,384)
Liabilities						
Loans	3,045,917	2,838,160	207,757	2,374,046	2,258,861	115,185
Futures contracts	81	81	–	–	–	–
Other liabilities	22,877	22,863	14	20,592	20,515	77
	3,068,875	2,861,104	207,771	2,394,638	2,279,376	115,262
OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS						
Guarantees[3]	(156,526)	(152,544)	3,982	(219,657)	(254,999)[4]	(35,342)
	(156,526)	(152,544)	3,982	(219,657)	(254,999)	(35,342)
			147,430			14,536

(1) The Corporation accounted for low-yield or zero-yield loans, shares and units, less the accumulated provision for losses, at a value higher than their fair value. The gap between the book value ($1.1 billion) and the fair value ($737.0 million) is not due to reduced sustainable value but stems rather from the discounting of these loans, shares and units. The Corporation accounts for the latter at cost, given that the Québec government pays it an interest contribution in order to offset the low or zero yield on these assets.

(2) The fair market value of financial instruments was modified compared with that shown in the financial statements of March 31, 2004 in order to take into account a new financial instrument, namely, the accumulated provision for losses recoverable from the Québec government, following the attainment of new information and experience acquired in the establishment of fair values.

(3) Guarantees are classified as an off-balance-sheet financial instrument. However, the book value of guarantees, which corresponds to the amount of the accumulated provision for losses on guarantees, is part of the financial instruments shown on the Corporation's balance sheet.

(4) This amount was reduced by $142.6 million compared with that shown in the financial statements of March 31, 2004, due to the changes made to the method of evaluating fair value to take additional particularities into account.

23. Derivative Financial Instruments

When authorizing a financing operation, the Corporation generally requires a stock option risk premium from the client company. The Corporation also conducts transactions in the form of standardized futures contracts for the purchase or sale of financial instruments at specific prices and at future dates. Futures contracts are traded based on standardized amounts on organized exchanges and are subject to cash margins calculated on a daily basis.

The following table shows the fair value of the Corporation's portfolio of derivative financial instruments as at March 31, 2005, as represented by gains not realized in the case of stock options and by gains or losses not realized with regard to futures contracts.

			2005	2004 (restated) (note 3)
	Positive	Negative	Net Amount	Net Amount
Stock options	3,927	–	3,927	3,952
3-month futures contracts on banker's acceptances	42	–	42	(6)
10-year futures contracts on Canadian bonds	39	–	39	(9)
	4,008	–	4,008	3,937

24. Fair Market Value of Financial Instruments

Fair market value is designed to establish the approximate amounts at which financial instruments may be traded between unrelated parties acting freely under conditions of full competition in the normal course of business; the best indication of fair value is the market price.

When available, the market price is used by the Corporation to determine the fair market value of its financial instruments. When there are no markets or when the markets are not considered sufficiently liquid, the Corporation measures the fair value using valuation methods and assumptions. Given the role that judgement plays in the application of many accepted valuation and estimation techniques for calculating fair value, these techniques are not necessarily comparable among the different entities. Fair value is based on the market situation at a given point in time, and hence does not necessarily reflect the future fair market value of the instrument. It cannot be interpreted as the amount that would be received upon immediate settlement of the instruments.

The table below shows the fair value of balance-sheet and off-balance-sheet financial instruments, including derivatives, established using the valuation methods and assumptions described below. The fair value of assets and liabilities that are not considered financial instruments, such as tangible fixed assets and limited-life intangible assets, is not presented in the table.

	2005			2004 (restated)		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
BALANCE-SHEET FINANCIAL INSTRUMENTS						
Assets						
Cash, bank overdraft and temporary investments	8,684	8,684	–	7,459	7,459	–
Investments	1,730,962	1,762,962	32,000	1,038,353	1,082,364	44,011
Loans, less accumulated provision for losses	744,925	655,927	(88,998)	801,978	672,302	(129,676)
Shares and units, less accumulated provision for losses	335,755	81,015	(254,740)	363,998	90,813	(273,185)
Accumulated provision for losses recoverable from the Québec government	558,956	671,580	112,624	562,751	734,204	171,453[a]
Stock options	3,927	3,927	–	3,952	3,952	–
Futures contracts	–	–	–	15	15	–
Interest contributions from Québec government	–	134,791	134,791	–	122,013	122,013
Other assets	53,963	53,963	–	16,405	16,405	–
	3,437,172	3,372,849	(64,323)	2,794,911	2,729,527	(65,384)
Liabilities						
Loans	3,045,917	2,838,160	207,757	2,374,046	2,258,861	115,185
Futures contracts	81	81	–	–	–	–
Other liabilities	22,877	22,863	14	20,592	20,515	77
	3,068,875	2,861,104	207,771	2,394,638	2,279,376	115,262
OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS						
Guarantees	(156,526)	(152,544)	3,982	(219,657)	(254,999)[a]	(35,342)
	(156,526)	(152,544)	3,982	(219,657)	(254,999)	(35,342)
			147,430			14,536

a) The Corporation recorded the loss guarantee on the Mirabel airport debt in 2004 at its fair value. The guarantee between the two governments is not considered a financial instrument under this section of the Handbook. The Corporation recorded the guarantee at its fair value in order to offset the fair value of the assets and liabilities that are not considered financial instruments, such as tangible fixed assets and limited-life intangible assets.

b) The Corporation recorded the loss guarantee on the Mirabel airport debt in 2004 at its fair value. The guarantee between the two governments is not considered a financial instrument under this section of the Handbook. The Corporation recorded the guarantee at its fair value in order to offset the fair value of the assets and liabilities that are not considered financial instruments, such as tangible fixed assets and limited-life intangible assets.

c) Shares that are classified as investments in the balance sheet are recorded at their fair value. Shares that are classified as investments in associates and joint ventures are recorded using the equity method. Shares that are classified as investments in subsidiaries are recorded at cost.

d) This amount was reclassified to the Québec government's interest contributions on March 31, 2005 in order to take into account the Corporation's intention to have the Québec government assume the interest charges on the debt.

The fair value of balance-sheet and off-balance-sheet financial instruments was estimated using the following methods and assumptions:

Cash, outstanding cheques less cash, temporary investments, short-term loans, other assets and other liabilities

Given the short-term maturities of cash, outstanding cheques less cash, temporary investments with maturities not exceeding three months following the date of acquisition, short-term loans and other assets and liabilities, their fair value is considered to be equivalent to the book value.

The fair value of temporary investments with maturities exceeding three months following the date of acquisition is estimated by discounting cash flows, using interest rates prevailing on the market for investments with similar conditions and credit risks.

The fair value of due and accrued interest maturing in more than three months is estimated by discounting cash flows, using interest rates prevailing on the market for investments with similar conditions and credit risks.

Investments

The fair value of investments in securities is based on market prices. The fair value of receivable notes from the Government of Quebec is estimated by discounting cash flows, using interest rates prevailing on the market for investments with similar conditions and credit risks.

Loans

The fair value of the loans portfolio is based on the evaluation of the interest rate risk and the credit risk. The fair value of fixed-rate, fixed-repayment loans is estimated by discounting cash flows, using risk-free interest rates prevailing on the market and taking into account the history of the Corporation's losses for loans with similar conditions and credit risks. The fair value of variable-rate loans or loans with rates that are revised frequently is deemed to be equal to the net book value. The fair value of variable-repayment loans cannot be estimated with a reasonable effort, considering the uncertainty regarding the amounts that will be repaid. Consequently, the fair value is considered equal to the net book value. For doubtful loans, the fair value is deemed to be equal to the net book value, in accordance with the valuation methods described in note 2 under "Accumulated provision for losses."

Shares and units

The fair value of shares and units is based on market prices when they are available. The fair value of preferred shares with an established redemption date and that of fixed-rate, fixed-repayment preferred units of cooperatives is estimated by discounting cash flows, using risk-free interest rates prevailing on the market and taking into account the history of the Corporation's losses for shares and units with similar conditions and credit risks. In the case of the other equity securities that are not traded on organized markets, the fair value, since it cannot be estimated with a reasonable effort, is deemed to be equivalent to the net book value.

Accumulated provision for losses recoverable from the Québec government

The fair value of the accumulated provision for losses recoverable from the Québec government is based on the evaluation of the interest rate risk and the credit risk. The fair value of the accumulated provision for losses recoverable from the Québec government is estimated by discounting cash flows, which correspond to anticipated losses on financing operations, using the interest rates of the Québec government and taking into account the history of the Corporation's losses for financing operations with similar conditions and credit risks.

Stock options

The fair value of stock options is based on market prices when they are available. In the case of options that are not traded on organized markets, the fair value is based on the book value of the company concerned.

Futures contracts

The fair value of futures contracts is based on market prices.

Interest contributions from the Québec government

The fair value of interest contributions from the Government of Québec is based on the evaluation of the interest rate risk and the credit risk. The fair value of interest contributions from the Government of Québec is estimated by discounting cash flows, using the interest rates of the Government of Québec.

Loans

The fair value of fixed-rate long-term loans is based on market prices for debt instruments with similar conditions and credit risks. The fair value of variable-rate long-term loans is deemed to be equal to the net book value.

Guarantees

The fair value of the guarantees portfolio is based on the evaluation of the interest rate risk and the credit risk. The fair value of guarantees is estimated by discounting guarantee disbursements and fees for anticipated guarantees, using risk-free interest rates prevailing on the market and taking into account the history of the Corporation's losses for guarantees with similar conditions and credit risks. For guarantees pertaining to insolvent companies or companies that are likely to become insolvent in the short term, the fair value corresponds to the accumulated provision for losses, in accordance with the valuation methods described in note 2 under "Accumulated provision for losses."

25. Interest Rate Sensitivity Position

The maturities presented below show the situation, as at March 31, 2005, regarding the sensitivity of the Corporation's balance sheet to interest rate fluctuations.

							2005
	Variable Rate	Less Than 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Not Sensitive to Interest Rates	Total
BALANCE-SHEET FINANCIAL INSTRUMENTS							
Assets							
Temporary investments	–	9,390	198	–	–	–	9,588
Effective interest rate		*2.5%*	*2.5%*				
Investments	–	–	1,527	1,655,427	6,448	67,844	1,731,246
Effective interest rate			*5.6%*	*4.4%*	*5.1%*		
Interest-free loans	–	2,550	21,609	162,257	227,903	160,250	574,569
Other loans, shares and units	180,214	816	154	35,227	106,398	671,516	994,325
Effective interest rate		*5.8%*	*9.4%*	*5.4%*	*7.9%*		
Accumulated provision for losses on loans, shares and units	–	–	–	–	–	(488,214)	(488,214)
Accumulated provision for losses recoverable from the Québec government	–	–	–	–	–	558,956	558,956
Other assets	–	–	–	–	–	136,861	136,861
	180,214	12,756	23,488	1,852,911	340,749	1,107,213	3,517,331
Liabilities and equity							
Outstanding cheques less cash	–	–	–	–	–	904	904
Interest-free debt	–	–	1,600	1,789,200	2,400	–	1,793,200
Interest-bearing debt	–	1,042,520	100,000	–	110,197	–	1,252,717
Effective interest rate		*2.7%*	*2.8%*		*5.6%*		
Other liabilities	–	–	–	–	–	191,446	191,446
Equity	–	–	–	–	–	279,064	279,064
	–	1,042,520	101,600	1,789,200	112,597	471,414	3,517,331
Sensitivity gap	180,214	(1,029,764)	(78,112)	63,711	228,152	635,799	–
OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS							
Guarantees	–	–	–	–	–	1,570,655	1,570,655
Sensitivity gap	–	–	–	–	–	(1,570,655)	(1,570,655)
Total	**180,214**	**(1,029,764)**	**(78,112)**	**63,711**	**228,152**	**(934,856)**	**(1,570,655)**

							2004
Balance-sheet financial instruments	300,273	(1,060,626)	(90,843)	64,478	258,242	528,476	–
Off-balance-sheet financial instruments	–	–	–	–	–	(1,260,404)	(1,260,404)
Total	300,273	(1,060,626)	(90,843)	64,478	258,242	(731,928)	(1,260,404)

26. Concentration of Credit Risk

	2005			2004		
	Loans, Shares and Units Less the Accumulated Provision for Losses	**Guarantees Less the Accumulated Provision for Losses**	**Accumulated Provision for Losses Recoverable from the Québec Government**	Loans, Shares and Units Less the Accumulated Provision for Losses	Guarantees Less the Accumulated Provision for Losses	Accumulated Provision for Losses Recoverable from the Québec Government
Per sector of activity:						
Primary sector companies	**14,386**	**6,529**	**29,397**	11,996	7,396	83,421
Secondary sector companies						
Transportation equipment	**167,032**	**1,220,812**	**59,851**	182,478	875,825	79,316
Paper	**265,131**	**2,398**	**189,208**	310,542	4,516	113,982
Primary processing metals and metal products	**342,567**	**19,791**	**31,112**	341,535	19,013	37,723
Others	**171,137**	**128,124**	**142,908**	199,714	137,980	128,614
	945,867	**1,371,125**	**423,079**	1,034,269	1,037,334	359,635
Tertiary sector companies	**120,427**	**193,001**	**106,480**	119,711	215,674	119,695
	1,080,680	**1,570,655**	**558,956**	1,165,976	1,260,404	562,751
With the Québec government:						
Financing operations for which losses are refunded by the Québec government	**1,035 230**	**1,387,138**	**558,956**	1,114,161	1,049,961	562,751

25. Interest Rate Sensitivity Position

The maturities presented below show the situation, as at March 31, 2005, regarding the sensitivity of the Corporation's balance sheet to interest rate fluctuations.

							2005
	Variable Rate	Less Than 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Not Sensitive to Interest Rates	Total
BALANCE-SHEET FINANCIAL INSTRUMENTS							
Assets							
Temporary investments	–	9,390	198	–	–	–	9,588
Effective interest rate		*2.5%*	*2.5%*				
Investments	–	–	1,527	1,655,427	6,448	67,844	1,731,246
Effective interest rate			*5.6%*	*4.4%*	*5.1%*		
Interest-free loans	–	2,550	21,609	162,257	227,903	160,250	574,569
Other loans, shares and units	180,214	816	154	35,227	106,398	671,516	994,325
Effective interest rate		*5.8%*	*9.4%*	*5.4%*	*7.9%*		
Accumulated provision for losses on loans, shares and units	–	–	–	–	–	(488,214)	(488,214)
Accumulated provision for losses recoverable from the Québec government	–	–	–	–	–	558,956	558,956
Other assets	–	–	–	–	–	136,861	136,861
	180,214	12,756	23,488	1,852,911	340,749	1,107,213	3,517,331
Liabilities and equity							
Outstanding cheques less cash	–	–	–	–	–	904	904
Interest-free debt	–	–	1,600	1,789,200	2,400	–	1,793,200
Interest-bearing debt	–	1,042,520	100,000	–	110,197	–	1,252,717
Effective interest rate		*2.7%*	*2.8%*		*5.6%*		
Other liabilities	–	–	–	–	–	191,446	191,446
Equity	–	–	–	–	–	279,064	279,064
	–	1,042,520	101,600	1,789,200	112,597	471,414	3,517,331
Sensitivity gap	180,214	(1,029,764)	(78,112)	63,711	228,152	635,799	–
OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS							
Garantees	–	–	–	–	–	1,570,655	1,570,655
Sensitivity gap	–	–	–	–	–	(1,570,655)	(1,570,655)
Total	**180,214**	**(1,029,764)**	**(78,112)**	**63,711**	**228,152**	**(934,856)**	**(1,570,655)**

							2004
Balance-sheet financial instruments	300,273	(1,060,626)	(90,843)	64,478	258,242	528,476	–
Off-balance-sheet financial instruments	–	–	–	–	–	(1,260,404)	(1,260,404)
Total	300,273	(1,060,626)	(90,843)	64,478	258,242	(731,928)	(1,260,404)

26. Concentration of Credit Risk

	2005			2004		
	Loans, Shares and Units Less the Accumulated Provision for Losses	Guarantees Less the Accumulated Provision for Losses	Accumulated Provision for Losses Recoverable from the Québec Government	Loans, Shares and Units Less the Accumulated Provision for Losses	Guarantees Less the Accumulated Provision for Losses	Accumulated Provision for Losses Recoverable from the Québec Government
Per sector of activity:						
Primary sector companies	14,386	6,529	29,397	11,996	7,396	83,421
Secondary sector companies						
Transportation equipment	167,032	1,220,812	59,851	182,478	875,825	79,316
Paper	265,131	2,398	189,208	310,542	4,516	113,982
Primary processing metals and metal products	342,567	19,791	31,112	341,535	19,013	37,723
Others	171,137	128,124	142,908	199,714	137,980	128,614
	945,867	1,371,125	423,079	1,034,269	1,037,334	359,635
Tertiary sector companies	120,427	193,001	106,480	119,711	215,674	119,695
	1,080,680	1,570,655	558,956	1,165,976	1,260,404	562,751
With the Québec government:						
Financing operations for which losses are refunded by the Québec government	1,035 230	1,387,138	558,956	1,114,161	1,049,961	562,751

27. Financing Commitments

The financing commitments made by the Corporation in the regular course of its activities are presented in the table below and are grouped into two categories. The first represents financing agreements authorized by the Corporation which are not yet accepted by clients. The second includes financing agreements accepted by clients, or amounts not disbursed on loans, shares and units, amounts for which disbursement has not been authorized for financial contributions, and amounts which have not yet been used for guarantees.

The amounts of the commitments are as follows:

			2005	2004 (restated)
	Losses Not Refunded and Contributions Not Assumed by the Québec Government	Losses Refunded and Contributions Assumed by the Québec Government	Total	Total
Commitments on authorized financing agreements not yet accepted by clients				
Loans	6,930	159,905	166,835	318,897
Guarantees	13,942	1,051,185	1,065,127	516,911
Financial contributions	2,213	40,070	42,283	90,500
	23,085	1,251,160	1,274,245	926,308
Commitments on financing agreements accepted by clients				
Loans	10,165	229,686	239,851	271,826
Guarantees	68,212	80,236	148,448	328,978
Financial contributions	125,148	304,055	429,203	406,335
	203,525	613,977	817,502	1,007,139
	226,610	1,865,137	2,091,747	1,933,447

The amount of commitments denominated in US dollars totalled $0.3 million in Canadian dollars as at March 31, 2005 ($0.4 million as at March 31, 2004).

(1) The amount has increased by $178.9 M compared to the Financial Statements of March 31, 2004, due to a necessary adjustment after the Financial Statements were published.

28. Other Commitments

The Corporation has undertaken to pay fees of $17.6 million as at March 31, 2005 ($11.0 million as at March 31, 2004) to financial intermediaries for the closing of immigrant investor files.

In addition, as at March 31, 2005, the Corporation concluded agreements in principle with the FIER-Regions, under which it undertakes to invest an amount of up to $20.0 million.

29. Pension Plans

The employees of Investissement Québec subscribe to the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These are inter-company defined-benefit plans that include retirement and death guarantees. Investissement Québec's obligations toward these government plans are limited to its contributions as an employer. Investissement Québec's contributions charged to the statement of income for the fiscal year amount to $0.9 million ($0.9 million for the fiscal year ended March 31, 2004; $0.8 million for the fiscal year ended March 31, 2003).

The employer's responsibilities toward the supplementary pension plans consist in fully assuming benefits when the beneficiary of the plan retires. Thus, no contribution is paid by the employees or the employer. As at March 31, 2005, the employer's obligations stood at $0.1 million ($0.1 million as at March 31, 2004) and appear under "Other liabilities". The Corporation did not charge any cost to the results for the fiscal year ended March 31, 2005 ($0.1 million for the fiscal year ended March 31, 2004). The significant actuarial assumptions used by the Corporation to evaluate its obligations regarding benefits are as follows: the expected rate of return for the plan is 6.75% and the growth rate for compensation is 4.00%.

30. Sick Leave and Vacations Payable

	2005	2004
Balance at beginning of year	9,863	9,060
Expense for the year	2,133	2,891
Amount paid during the year	(2,006)	(2,088)
Balance at end of year	9,990	9,863

27. Financing Commitments

The financing commitments made by the Corporation in the regular course of its activities are presented in the table below and are grouped into two categories. The first represents financing agreements authorized by the Corporation which are not yet accepted by clients. The second includes financing agreements accepted by clients, or amounts not disbursed on loans, shares and units, amounts for which disbursement has not been authorized for financial contributions, and amounts which have not yet been used for guarantees.

The amounts of the commitments are as follows:

			2005	2004 (restated)
	Losses Not Refunded and Contributions Not Assumed by the Québec Government	Losses Refunded and Contributions Assumed by the Québec Government	Total	Total
Commitments on authorized financing agreements not yet accepted by clients				
Loans	6,930	159,905	166,835	318,897
Guarantees	13,942	1,051,185	1,065,127	516,911
Financial contributions	2,213	40,070	42,283	90,500
	23,085	1,251,160	1,274,245	926,308
Commitments on financing agreements accepted by clients				
Loans	10,165	229,686	239,851	271,826
Guarantees	68,212	80,236	148,448	328,978 (1)
Financial contributions	125,148	304,055	429,203	406,335
	203,525	613,977	817,502	1,007,139
	226,610	1,865,137	2,091,747	1,933,447 (1)

The amount of commitments denominated in US dollars totalled $0.3 million in Canadian dollars as at March 31, 2005 ($0.4 million as at March 31, 2004).

(1) This amount was increased by $178.0 million compared with the financial statements of March 31, 2004, due to an inaccuracy detected after these financial statements were published.

28. Other Commitments

The Corporation has undertaken to pay fees of $17.6 million as at March 31, 2005 ($11.0 million as at March 31, 2004) to financial intermediaries for the closing of immigrant investor files.

In addition, as at March 31, 2005, the Corporation concluded agreements in principle with the FIER-Regions, under which it undertakes to invest an amount of up to $20.0 million.

29. Pension Plans

The employees of Investissement Québec subscribe to the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These are inter-company defined-benefit plans that include retirement and death guarantees. Investissement Québec's obligations toward these government plans are limited to its contributions as an employer. Investissement Québec's contributions charged to the statement of income for the fiscal year amount to $0.9 million ($0.9 million for the fiscal year ended March 31, 2004; $0.8 million for the fiscal year ended March 31, 2003).

The employer's responsibilities toward the supplementary pension plans consist in fully assuming benefits when the beneficiary of the plan retires. Thus, no contribution is paid by the employees or the employer. As at March 31, 2005, the employer's obligations stood at $0.1 million ($0.1 million as at March 31, 2004) and appear under "Other liabilities". The Corporation did not charge any cost to the results for the fiscal year ended March 31, 2005 ($0.1 million for the fiscal year ended March 31, 2004). The significant actuarial assumptions used by the Corporation to evaluate its obligations regarding benefits are as follows: the expected rate of return for the plan is 6.75% and the growth rate for compensation is 4.00%.

30. Sick Leave and Vacations Payable

	2005	2004
Balance at beginning of year	9,863	9,060
Expense for the year	2,133	2,891
Amount paid during the year	(2,006)	(2,088)
Balance at end of year	9,990	9,863

31. Contingencies

Under decree 1393-2001 issued by the Quebec government on November 21, 2001, 9109-3294 Quebec inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 2001 for the price of one dollar. Investissement Québec will guarantee, in part, the environmental liability of this land. The Corporation estimates that the land decontamination and clean-up cost, which it must assume, may reach $11.7 million. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Québec government.

During a previous year, the Corporation recorded a gain on disposal of shares from an option, following the sale of all the shares issued by a company. As part of this transaction, the Corporation agreed to compensate the managing shareholders for damages or losses which they may incur due to the guarantees that they gave to the buyer. The maximum amount that the Corporation could be held to pay in this regard is $0.6 million. This commitment will end no later than January 15, 2007.

Various judicial and extrajudicial proceedings instituted by or against the Corporation are currently under way. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or the results of its operations.

32. Related Party Transactions

The Corporation is a related party to all departments and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Québec government or are subject to either joint control or significant common influence by the Québec government. The Corporation's business transactions with these related parties were carried out during the normal course of its activities and under usual business conditions. All these transactions, accounted for according to their exchange value, are shown separately in the financial statements.

33. Comparative Figures

Certain figures from fiscal 2003 and 2004 have been reclassified to conform to the presentation adopted in fiscal 2005.

34. Balance Sheets of Investissement Québec and Its Subsidiaries

						2005	2004 (restated) (note 3)
	Investissement Québec Non-Consolidated	IQ Immigrants Investisseurs inc.	IQ FIER inc.	Other Subsidiaries	Eliminations and reclassifications[1]	Cumulative Total	Cumulative Total
ASSETS							
Cash	–	272	3	4	(279)	–	2,469
Temporary investments	–	9,588	–	–	–	9,588	4,990
Investments	–	1,730,962	198	86	–	1,731,246	1,038,376
Loans, less accumulated provision for losses	744,925	–	–	–	–	744,925	801,978
Shares, less accumulated provision for losses	333,011	–	–	–	–	333,011	342,722
Units, less accumulated provision for losses	2,744	–	–	–	–	2,744	21,276
Accumulated provision for losses recoverable from the Québec government	558,956	–	–	–	–	558,956	562,751
Investments in subsidiaries, valued under the equity accounting method	18,523	–	–	–	(18,523)	–	–
Advances to subsidiaries	164	–	–	–	(164)	–	–
Other assets	64,388	72,814	–	570	(911)	136,861	78,806
	1,722,711	1,813,636	201	660	(19,877)	3,517,331	2,853,368
LIABILITIES AND EQUITY							
Liabilities							
Outstanding cheques less cash	–	–	–	–	904	904	–
Bank overdraft	1,183	–	–	–	(1,183)	–	–
Short-term debt	235,900	–	–	–	–	235,900	370,900
Long-term debt	1,016,817	1,793,200	–	–	–	2,810,017	2,003,146
Due and accrued interest on loans	12,564	–	–	–	–	12,564	12,267
Advances from the parent company	–	–	–	164	(164)	–	–
Accumulated provision for losses on guarantees	156,526	–	–	–	–	156,526	219,657
Other liabilities	20,657	1,623	417	570	(911)	22,356	20,170
	1,443,647	1,794,823	417	734	(1,354)	3,238,267	2,626,140
Equity							
Initial equity and share capital	32,944	1	1	3	(5)	32,944	32,944
Surplus (deficit)	246,120	18,812	(217)	(77)	(18,518)	246,120	194,284
	279,064	18,813	(216)	(74)	(18,523)	279,064	227,228
	1,722,711	1,813,636	201	660	(19,877)	3,517,331	2,853,368
Guarantees, less accumulated provision for losses	1,570,655	–	–	–	–	1,570,655	1,260,404

(1) Eliminations related to balances and business-to-business transactions and reclassifications.

34. Balance Sheets of Investissement Québec and Its Subsidiaries

	Investissement Québec Non-Consolidated	IQ Immigrants Investisseurs inc.	IQ FIER inc.	Other Subsidiaries	Eliminations and reclassifications[1]	2005 Cumulative Total	2004 (restated) (note 3) Cumulative Total
ASSETS							
Cash	–	272	3	4	(279)	–	2,469
Temporary investments	–	9,588	–	–	–	9,588	4,990
Investments	–	1,730,962	198	86	–	1,731,246	1,038,376
Loans, less accumulated provision for losses	744,925	–	–	–	–	744,925	801,978
Shares, less accumulated provision for losses	333,011	–	–	–	–	333,011	342,722
Units, less accumulated provision for losses	2,744	–	–	–	–	2,744	21,276
Accumulated provision for losses recoverable from the Québec government	558,956	–	–	–	–	558,956	562,751
Investments in subsidiaries, valued under the equity accounting method	18,523	–	–	–	(18,523)	–	–
Advances to subsidiaries	164	–	–	–	(164)	–	–
Other assets	64,388	72,814	–	570	(911)	136,861	78,806
	1,722,711	1,813,636	201	660	(19,877)	3,517,331	2,853,368
LIABILITIES AND EQUITY							
Liabilities							
Outstanding cheques less cash	–	–	–	–	904	904	–
Bank overdraft	1,183	–	–	–	(1,183)	–	–
Short-term debt	235,900	–	–	–	–	235,900	370,900
Long-term debt	1,016,817	1,793,200	–	–	–	2,810,017	2,003,146
Due and accrued interest on loans	12,564	–	–	–	–	12,564	12,267
Advances from the parent company	–	–	–	164	(164)	–	–
Accumulated provision for losses on guarantees	156,526	–	–	–	–	156,526	219,657
Other liabilities	20,657	1,623	417	570	(911)	22,356	20,170
	1,443,647	1,794,823	417	734	(1,354)	3,238,267	2,626,140
Equity							
Initial equity and share capital	32,944	1	1	3	(5)	32,944	32,944
Surplus (deficit)	246,120	18,812	(217)	(77)	(18,518)	246,120	194,284
	279,064	18,813	(216)	(74)	(18,523)	279,064	227,228
	1,722,711	1,813,636	201	660	(19,877)	3,517,331	2,853,368
Guarantees, less accumulated provision for losses	1,570,655	–	–	–	–	1,570,655	1,260,404

35. Statement of Income of Investissement Québec and Its Subsidiaries

	Investissement Québec Non-Consolidated	IQ Immigrants Investisseurs inc.	IQ FIER inc.	Other Subsidiaries	Eliminations and reclassifications[1]	2005 Cumulative Total	2004 Cumulative Total
Income from operations							
Interest income and interest contribution from the Québec government	66,587	54,518	–	–	–	121,105	97,354
Guarantee fees	14,636	–	–	–	–	14,636	12,525
Risk premiums							
Stock options	2,409	–	–	–	–	2,409	4,150
Share-in-earnings premiums and others	3,814	–	–	–	–	3,814	3,055
Commitment fees	6,613	–	–	–	–	6,613	7,666
Fees – Affiliated company, IQ Immigrants Investisseurs inc.	1,024	–	–	–	(1,024)	–	–
Other income	21,635	5,451	–	5	–	27,091	5,379
	116,718	59,969	–	5	(1,024)	175,668	130,129
Expenses from operations							
Interest charges	35,884	–	–	–	–	35,884	36,951
Financial contributions	30,814	20,968	–	851	–	52,633	56,137
Financial contributions assumed by the Québec government	(30,814)	–	–	(851)	–	(31,665)	(45,382)
Fees to financial intermediaries	–	26,464	–	–	–	26,464	17,747
Fees for the management of financial contribution files – Parent company	–	1,180	–	–	(1,180)	–	–
Other expenses	2,480	310	51	–	196	3,037	1,972
	38,364	48,922	51	–	(984)	86,353	67,425
Operating income before provision	78,354	11,047	(51)	5	(40)	89,315	62,704
Provision							
Provision for losses	165,742	–	–	–	–	165,742	273,023
Provision for losses recoverable from the Québec government	(146,542)	–	–	–	–	(146,542)	(265,415)
	19,200	–	–	–	–	19,200	7,608
Operating income	59,154	11,047	(51)	5	(40)	70,115	55,096
Administrative expenses							
Administrative expenses	39,795	304	166	–	(40)	40,225	40,589
Administration fees – Québec government	(21,946)	–	–	–	–	(21,946)	(26,811)
	17,849	304	166	–	(40)	18,279	13,778
Net income before share of earnings of subsidiaries	41,305	10,743	(217)	5	–	51,836	41,318
Share of earnings of subsidiaries	10,531	–	–	–	(10,531)	–	–
Net income	51,836	10,743	(217)	5	(10,531)	51,836	41,318

[1] Eliminations and reclassifications include the elimination of intercompany transactions.

35. Statement of Income of Investissement Québec and Its Subsidiaries

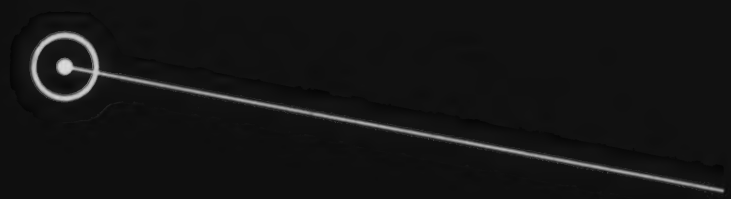
						2005	2004
	Investissement Québec Non-Consolidated	IQ Immigrants Investisseurs inc.	IQ FIER inc.	Other Subsidiaries	Eliminations and reclassifications[1]	Cumulative Total	Cumulative Total
Income from operations							
Interest income and interest contribution from the Québec government	66,587	54,518	–	–	–	121,105	97,354
Guarantee fees	14,636	–	–	–	–	14,636	12,525
Risk premiums							
Stock options	2,409	–	–	–	–	2,409	4,150
Share-in-earnings premiums and others	3,814	–	–	–	–	3,814	3,055
Commitment fees	6,613	–	–	–	–	6,613	7,666
Fees – Affiliated company, IQ Immigrants Investisseurs inc.	1,024	–	–	–	(1,024)	–	–
Other income	21,635	5,451	–	5	–	27,091	5,379
	116,718	59,969	–	5	(1,024)	175,668	130,129
Expenses from operations							
Interest charges	35,884	–	–	–	–	35,884	36,951
Financial contributions	30,814	20,968	–	851	–	52,633	56,137
Financial contributions assumed by the Québec government	(30,814)	–	–	(851)	–	(31,665)	(45,382)
Fees to financial intermediaries	–	26,464	–	–	–	26,464	17,747
Fees for the management of financial contribution files – Parent company	–	1,180	–	–	(1,180)	–	–
Other expenses	2,480	310	51	–	196	3,037	1,972
	38,364	48,922	51	–	(984)	86,353	67,425
Operating income before provision	78,354	11,047	(51)	5	(40)	89,315	62,704
Provision							
Provision for losses	165,742	–	–	–	–	165,742	273,023
Provision for losses recoverable from the Québec government	(146,542)	–	–	–	–	(146,542)	(265,415)
	19,200	–	–	–	–	19,200	7,608
Operating income	59,154	11,047	(51)	5	(40)	70,115	55,096
Administrative expenses							
Administrative expenses	39,795	304	166	–	(40)	40,225	40,589
Administration fees – Québec government	(21,946)	–	–	–	–	(21,946)	(26,811)
	17,849	304	166	–	(40)	18,279	13,778
Net income before share of earnings of subsidiaries	41,305	10,743	(217)	5	–	51,836	41,318
Share of earnings of subsidiaries	10,531	–	–	–	(10,531)	–	–
Net income	51,836	10,743	(217)	5	(10,531)	51,836	41,318

(1) Eliminations related to balances and business-to-business transactions and reclassifications.

Additional Information

Managing Fiscal Measures

Sarbakan is a digital creation studio that specializes in the development of games designed mainly for interactive media. Founded in 1998, Sarbakan has benefited from the Centre national des nouvelles technologies de Québec (CNNTQ) measure as well as the measure dealing with the production of multimedia titles since 2000. These fiscal measures have allowed Sarbakan to accelerate the development of online and offline games based on original characters. Since setting up operations in the CNNTQ, the company has seen its staff increase from 5 to 80 people.



Daniel Lefebvre and Simon Lemay Comtois, Sarbakan

Economic Impact

Introduction

Each year, Investissement Québec evaluates the economic and fiscal impact of the projects it finances. The evaluation is performed on two levels.

Firstly, the Corporation evaluates the impact of expenses incurred by companies to implement their projects for the expansion or construction of buildings, or the manufacture and installation of machinery (*projects* segment). The activities generated additional revenues in the economy, mainly in the construction and machinery manufacturing industries. According to an estimate established using the input-output model of the Institut de la statistique du Québec (ISQ), the projects financed in 2004–2005 should represent a workload equivalent to 19,944 person-years for these projects to be implemented. The workers involved (engineers, architects, construction workers and technicians) will, through the taxes collected on their salaries, generate $196.6 million in tax and incidental tax revenue for the Québec government.

Secondly, Investissement Québec analyzes the impact of increased annual sales resulting from the implementation of projects financed in previous years (*portfolio* segment). For the 2004–2005 fiscal year, the total sales of client companies were close to $29.4 billion. According to the input-output evaluation model, achieving these sales required a workload of 241,641 person-years and will generate $2.2 billion in tax revenues for the Québec government for this same year.

However, Investissement Québec does not take credit for the full impact of its clients' activities, but rather for the marginal contribution related to its actions[7]. Thus, 34.3% of total revenues related to the implementation of projects, or $67.5 million, is attributable to Investissement Québec, as well as 26.4% of total revenues related to sales or $582.4 million. These revenues total $649.9 million and constitute the amount that the Québec government collects from the financing services that the Corporation provides to companies.

[7] The attribution model is summarized on page 101.

Total Economic Impact

	2004–2005	2003–2004
Impact related to the implementation of projects financed (*Projects* segment)		
Value of simulated projects	$2,022.8 M	$2,685.7 M
Economic impact generated by these projects		
Jobs (workload in person-years)	19,944	21,962
Added value	$1,170.9 M	$1,268.0 M
Québec government revenue	$196.6 M	$192.0 M
Impact related to simulated sales of companies in the portfolio (*Portfolio* segment)		
Value of simulated sales[1]	$29,372.7 M	$25,665.2 M
Economic impact generated by these sales		
Jobs (workload in person-years)	241,641	252,486
Added value	$17,649.0 M	$15,879.2 M
Added value per job	$73,038	$62,891
Québec government revenue	$2,202.9 M	$2,009.9 M
Tax and incidental tax revenue attributable to Investissement Québec		
Related to the implementation of projects financed (*Projects* segment)	$67.5 M	$69.2 M
Related to the sale of companies in the portfolio (*Portfolio* segment)	$582.4 M	$624.1 M
Total tax and incidental tax revenues attributable to Investissement Québec	**$649.9 M**	**$693.3 M**
Costs	$222.6 M	$371.4 M
Cost-benefit ratio of Investissement-Québec	2.92/1	1.87/1

(1) According to the sectoral total, which is equivalent to the regional total.

Total Economic Impact

	2004-2005	2003-2004
Impact related to the implementation of projects financed (*Projects* segment)		
Value of simulated projects	$2,022.8 M	$2,685.7 M
Economic impact generated by these projects		
Jobs (workload in person-years)	19,944	21,962
Added value	$1,170.9 M	$1,268.0 M
Québec government revenue	$196.6 M	$192.0 M
Impact related to simulated sales of companies in the portfolio (*Portfolio* segment)		
Value of simulated sales	$29,372.7 M	$25,665.2 M
Economic impact generated by these sales		
Jobs (workload in person-years)	241,641	252,486
Added value	$17,649.0 M	$15,879.2 M
Added value per job	$73,038	$62,891
Québec government revenue	$2,202.9 M	$2,009.9 M
Tax and incidental tax revenue attributable to Investissement Québec		
Related to the implementation of projects financed (*Projects* segment)	$67.5 M	$69.2 M
Related to the sale of companies in the portfolio (*Portfolio* segment)	$582.4 M	$624.1 M
Total tax and incidental tax revenues attributable to Investissement Québec	**$649.9 M**	**$693.3 M**
Costs	$222.6 M	$371.4 M
Cost-benefit ratio of Investissement Québec	2.92 / 1	1.87 / 1

(1) According to the method that was used in the previous year.

Economic Impact by Program

This section presents the input used in simulating the impact on the economy as well as the results of these simulations in terms of economic impact, namely in terms of jobs, added value and tax and incidental tax revenues collected by the Québec government.

Value of Input

The table below shows the input, namely the data related to client companies and their projects that were used to simulate the economic impact for 2004–2005.

The evaluation of the economic impact of the *projects* segment concerns 53% of the value of financing operations granted, since financing offers refused by companies as at March 31, 2005 are excluded, as well as financing of buyer-credit, which is evaluated in the next segment.

The evaluation of the *portfolio* segment is based on the sales of companies financed since 1988 and whose file is still active and administered by the Corporation. Companies used in the evaluation are those whose financial statements[8] were available at the time of the evaluation. Consequently, this year's analysis concerns 88.8% of the companies in the Corporation's portfolio.

[8] Companies whose fiscal year ended between July 1, 2003 and June 30, 2004

Value of Input, 2004–2005

	Projects		Portfolio		
				Financing granted	
Program or Program Segment	Simulated Value ($M)	Size of Sample[3]	Sales ($M)	Total ($M)	Sample ($M)
Complementary financing					
SMB Financial					
Production and alliance					
Investment	150.5	94%	1,946.7	202.1	174.2
Consolidation	39.8	99%	290.1	19.1	17.3
Tourism	26.3	98%	68.6	22.3	18.7
Research and development	297.6	82%	338.7	48.3	47.5
Exports	95.4	68%	1,472.2	110.5	106.6
Working Capital					
Growth	18.2	97%	299.9	15.5	15.2
Ad hoc 1			15.6	1.4	1.4
Ad hoc 3			540.1	41.3	40.4
Recovery	5.4	52%	54.7	5.2	5.0
Experimentation measures	13.7	88%	81.9	6.8	6.3
Specific programs					
Cooperatives	42.9	99%	870.2	123.9	118.2
NPOs	27.7	93%	425.0	96.1	94.5
SMB Spark			181.2	23.2	21.9
Recyc-Québec			2.4	0.5	0.5
Economic development tools					
Biolevier			12.7	92.5	92.5
PASI and FAIRE[1]	311.4	100%	17,511.1	973.3	911.1
Government mandates	384.5	100%	3,178.6	1,475.6	1,466.3
Immigrant investors	609.4	99%	5,062.7	142.5	114.7
Total[2]	**2,022.8**	**53%**	**29,372.7**	**3,400.1**	**3,252.3**

(1) Including government mandates financed with funds from the FAIRE program.
(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not correspond to the registered total.
(3) The sample size corresponds to the simulated value of projects over the total value of projects authorized.

Value of Input, 2004–2005

	Projects		Portfolio		
				Financing granted	
Program or Program Segment	Simulated Value ($M)	Size of Sample[1]	Sales ($M)	Total ($M)	Sample ($M)
Complementary financing					
SMB Financial					
Production and alliance					
Investment	150.5	94%	1,946.7	202.1	174.2
Consolidation	39.8	99%	290.1	19.1	17.3
Tourism	26.3	98%	68.6	22.3	18.7
Research and development	297.6	82%	338.7	48.3	47.5
Exports	95.4	68%	1,472.2	110.5	106.6
Working Capital					
Growth	18.2	97%	299.9	15.5	15.2
Ad hoc 1			15.6	1.4	1.4
Ad hoc 3			540.1	41.3	40.4
Recovery	5.4	52%	54.7	5.2	5.0
Experimentation measures	13.7	88%	81.9	6.8	6.3
Specific programs					
Cooperatives	42.9	99%	870.2	123.9	118.2
NPOs	27.7	93%	425.0	96.1	94.5
SMB Spark			181.2	23.2	21.9
Recyc-Québec			2.4	0.5	0.5
Economic development tools					
Biolevier			12.7	92.5	92.5
PASI and FAIRE[2]	311.4	100%	17,511.1	973.3	911.1
Government mandates	384.5	100%	3,178.6	1,475.6	1,466.3
Immigrant investors	609.4	99%	5,062.7	142.5	114.7
Total[3]	**2,022.8**	**53%**	**29,372.7**	**3,400.1**	**3,252.3**

1. For all programs except government mandates, financing with a long-term component.
2. The same company can benefit from more than one financing application and from the support of more than one program or program segment. As a result, the sums of certain columns in the table cannot correspond to the registered total.
3. The amounts do not appear to be the result of adding up the data in the table because of rounding.

Jobs

The data in the table below show the economic impact of Investissement Québec's activities in terms of jobs, i.e., the equivalent workload in person-years required to implement the projects financed in 2004–2005 by the Corporation and to carry out the 2004–2005 sales of the companies it financed in the past.

Jobs[1] by Program or Program Segment, 2004–2005

	Projects			Portfolio		
Program or Program Segment	Direct	Indirect	Total	Direct	Indirect	Total
Complementary financing						
SMB Financial						
Production and alliance						
Investment	681	460	1,141	12,670	6,587	19,257
Consolidation	179	182	361	2,182	754	2,936
Tourism	211	102	313	1,237	264	1,501
Research and development	2,884	1,302	4,186	2,007	981	2,988
Exports	808	353	1,161	10,276	4,608	14,884
Working capital						
Growth	138	48	186	1,880	827	2,707
Ad hoc 1				91	47	138
Ad hoc 3				2,869	1,812	4,681
Recovery	41	19	60	281	213	494
Experimentation measures	59	63	122	296	236	532
Specific programs						
Cooperatives	451	150	601	10,242	3,291	13,533
NPOs	198	95	293	9,603	1,118	10,721
SMB Spark				1,346	609	1,955
Recyc-Québec				12	8	20
Economic development tools						
Biolevier				197	61	258
PASI and FAIRE	780	794	1,574	79,279	49,346	128,625
Government mandates	3,548	1,766	5,314	7,006	6,938	13,944
Immigrant investors	2,819	1,813	4,632	30,705	18,189	48,894
Total[2]	**12,797**	**7,147**	**19,944**	**155,258**	**86,383**	**241,641**

Source: Investissement Québec and Institut de la statistique du Québec.

1. Workload in person-years required for the realization of sales by companies financed in the past.
2. Includes government mandates that are not presented under the PASI program.
3. The same company can benefit from more than one program segment and hence be counted in more than one program segment.
4. Jobs in the Corporation's portfolio as at March 31, 2005 that are supported by the Quebec economy.

Added Value

Added value corresponds to the total remuneration of production factors, namely salaries and wages before taxes, net income of companies and other gross income before taxes. A company produces added value when it makes investments or transforms raw materials, goods or components with Québec content. Added value is also calculated based on the sales of the company and its suppliers.

Added Value by Program or Program Segment, 2004-2005

	Projects ($M)	Portfolio ($M)	Portfolio Productivity (Added Value per Job) ($)
Complementary financing			
SMB Financial			
Production and alliance			
Investment	75.8	1,224.7	63,598
Consolidation	24.7	175.9	59,895
Tourism	17.9	55.4	36,926
Research and development	222.9	209.6	70,175
Exports	78.1	940.5	63,191
Working capital			
Growth	12.2	183.4	67,755
Ad hoc 1		9.9	71,806
Ad hoc 3		317.6	67,844
Recovery	4.0	38.0	76,843
Experimentation measures	8.4	43.8	82,338
Specific programs			
Cooperatives	32.3	616.8	45,576
NPOs	17.1	387.9	36,185
SMB Spark		119.3	60,988
Recyc-Québec		1.2	62,051
Economic development tools			
Biolevier		10.5	40,818
PASI and FAIRE	100.6	10,288.3	79,987
Government mandates	296.3	1,755.3	125,874
Immigrant investors	280.6	3,088.1	63,159
Total	**1,170.9**	**17,649.0**	**73,038**

Jobs

The data in the table below show the economic impact of Investissement Québec's activities in terms of jobs, i.e., the equivalent workload in person-years required to implement the projects financed in 2004–2005 by the Corporation and to carry out the 2004–2005 sales of the companies it financed in the past.

Jobs[1] by Program or Program Segment, 2004–2005

	Projects			Portfolio		
Program or Program Segment	Direct	Indirect	Total	Direct	Indirect	Total
Complementary financing						
SMB Financial						
Production and alliance						
Investment	681	460	1,141	12,670	6,587	19,257
Consolidation	179	182	361	2,182	754	2,936
Tourism	211	102	313	1,237	264	1,501
Research and development	2,884	1,302	4,186	2,007	981	2,988
Exports	808	353	1,161	10,276	4,608	14,884
Working capital						
Growth	138	48	186	1,880	827	2,707
Ad hoc 1				91	47	138
Ad hoc 3				2,869	1,812	4,681
Recovery	41	19	60	281	213	494
Experimentation measures	59	63	122	296	236	532
Specific programs						
Cooperatives	451	150	601	10,242	3,291	13,533
NPOs	198	95	293	9,603	1,118	10,721
SMB Spark				1,346	609	1,955
Recyc-Québec				12	8	20
Economic development tools						
Biolevier				197	61	258
PASI and FAIRE[2]	780	794	1,574	79,279	49,346	128,625
Government mandates	3,548	1,766	5,314	7,006	6,938	13,944
Immigrant investors	2,819	1,813	4,632	30,705	18,189	48,894
Total[3]	**12,797**	**7,147**	**19,944**	**155,258**	**86,383**	**241,641**

Sources: Investissement Québec and Institut de la statistique du Québec

(1) Workload, in person-years, required for the realization of sales by client companies and their suppliers.

(2) Includes government mandates financed with funds from the FAIRE program.

(3) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not correspond to the registered total.

Added Value

Added value corresponds to the total remuneration of production factors, namely salaries and wages before taxes, net income of companies and other gross income before taxes. A company produces added value when it makes investments or transforms raw materials, goods or components with Québec content. Added value is also calculated based on the sales of the company and its suppliers.

Added Value by Program or Program Segment, 2004-2005

	Projects ($M)	Portfolio ($M)	Portfolio Productivity (Added Value per Job) ($)
Complementary financing			
SMB Financial			
Production and alliance			
Investment	75.8	1,224.7	63,598
Consolidation	24.7	175.9	59,895
Tourism	17.9	55.4	36,926
Research and development	222.9	209.6	70,175
Exports	78.1	940.5	63,191
Working capital			
Growth	12.2	183.4	67,755
Ad hoc 1		9.9	71,806
Ad hoc 3		317.6	67,844
Recovery	4.0	38.0	76,843
Experimentation measures	8.4	43.8	82,338
Specific programs			
Cooperatives	32.3	616.8	45,576
NPOs	17.1	387.9	36,185
SMB Spark		119.3	60,988
Recyc-Québec		1.2	62,051
Economic development tools			
Biolevier		10.5	40,818
PASI and FAIRE[1]	100.6	10,288.3	79,987
Government mandates	296.3	1,755.3	125,874
Immigrant investors	280.6	3,088.1	63,159
Total[2]	1,170.9	17,649.0	73,038

Sources: Investissement Québec and Institut de la statistique du Québec.

1. Includes government mandates financed with funds from the FAIRE program.
2. The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the total of certain columns in this table do not correspond to the registered total.

Québec Government Revenue

The impact on tax and incidental tax revenue includes payroll taxes and assessments paid to the Commission de la santé et de la sécurité du travail, the Fonds des services de santé and the Régie des rentes du Québec. The evaluation takes into account only the Québec government's revenues, and excludes those from other governments and from corporate taxes.

Québec Government Revenue by Program or Program Segment, 2004-2005

	Tax Revenue ($M)		Incidental Tax Revenue ($M)		Total ($M)
Program or Program Segment	Projects	Portfolio	Projects	Portfolio	
Complementary financing					
SMB Financial					
Production and alliance					
Investment	5.4	73.2	6.9	93.0	178.5
Consolidation	2.1	10.5	1.8	12.7	27.1
Tourism	1.5	2.8	2.1	4.5	10.9
Research and development	18.3	14.1	17.2	14.5	64.1
Exports	5.4	57.4	5.3	71.0	139.1
Working capital					
Growth	0.8	11.1	1.0	14.1	27.0
Ad hoc 1		0.5		0.7	1.2
Ad hoc 3		17.7		21.6	39.3
Recovery	0.3	2.4	0.3	3.1	6.1
Experimentation measures	0.7	2.7	0.6	3.2	7.2
Specific programs					
Cooperatives	2.3	40.9	2.7	52.1	98.0
NPOs	1.7	17.7	1.8	24.7	45.9
SMB Spark		7.9		9.5	17.4
Recyc-Québec		0.1		0.1	0.2
Economic development tools					
Biolevier		0.8		0.8	1.6
PASI and FAIRE[1]	8.2	575.8	9.7	685.8	1,279.5
Government mandates	25.4	93.9	22.8	78.6	220.7
Immigrant investors	21.4	179.8	30.9	240.6	472.7
Total[2]	93.5	1,109.3	103.1	1,199.1	2,399.5

Source: Investissement Québec and Institut de la statistique du Québec.

1. Includes government incentives financed with funds from the FAIRE program.
2. The same company can benefit from more than one program segment and must be accounted for in more than one program or program segment.

Québec Government Revenue

The impact on tax and incidental tax revenue includes payroll taxes and assessments paid to the Commission de la santé et de la sécurité du travail, the Fonds des services de santé and the Régie des rentes du Québec. The evaluation takes into account only the Québec government's revenues, and excludes those from other governments and from corporate taxes.

Québec Government Revenue by Program or Program Segment, 2004–2005

	Tax Revenue ($M)		Incidental Tax Revenue ($M)		Total ($M)
Program or Program Segment	Projects	Portfolio	Projects	Portfolio	
Complementary financing					
SMB Financial					
Production and alliance					
Investment	5.4	73.2	6.9	93.0	178.5
Consolidation	2.1	10.5	1.8	12.7	27.1
Tourism	1.5	2.8	2.1	4.5	10.9
Research and development	18.3	14.1	17.2	14.5	64.1
Exports	5.4	57.4	5.3	71.0	139.1
Working capital					
Growth	0.8	11.1	1.0	14.1	27.0
Ad hoc 1		0.5		0.7	1.2
Ad hoc 3		17.7		21.6	39.3
Recovery	0.3	2.4	0.3	3.1	6.1
Experimentation measures	0.7	2.7	0.6	3.2	7.2
Specific programs					
Cooperatives	2.3	40.9	2.7	52.1	98.0
NPOs	1.7	17.7	1.8	24.7	45.9
SMB Spark		7.9		9.5	17.4
Recyc-Québec		0.1		0.1	0.2
Economic development tools					
Biolevier		0.8		0.8	1.6
PASI and FAIRE[1]	8.2	575.8	9.7	685.8	1,279.5
Government mandates	25.4	93.9	22.8	78.6	220.7
Immigrant investors	21.4	179.8	30.9	240.6	472.7
Total[2]	**93.5**	**1,109.3**	**103.1**	**1,199.1**	**2,399.5**

Sources: Investissement Québec and Institut de la statistique du Québec

(1) Includes government mandates financed with funds from the FAIRE program.

(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not correspond to the registered total.

Economic Impact Evaluation Methodology

Evaluation of Economic Impact

The methodology used by Investissement Québec to evaluate the economic impact of its interventions is based on simulations carried out by the Institut de la statistique du Québec (ISQ), using its intersectoral model, which reproduces the basic workings of the Québec economy with the help of a huge data bank.

Using data provided by Investissement Quebec, the ISQ first evaluates the economic impact of corporate expenses incurred for the implementation of projects financed by the Corporation during the year: expansion or construction of buildings, manufacture and installation of machinery, etc. The evaluation excludes financing offers refused by companies and projects related to a sale, which are taken into account in the second step. Project costs are broken down by type of expense: construction, equipment and machinery, professional fees and working capital.

These projects are reflected in the economy mainly through revenues for the construction and machinery manufacturing industries. The ISQ's model is used to evaluate the equivalent workload in person-years that these two industries will have to achieve for the implementation of the projects. Engineers, architects, construction workers or technicians will thus generate significant tax and incidental tax revenues for the Québec government through the taxes collected on their salaries.

Secondly, Investissement Québec provides the ISQ with data to evaluate, with respect to the companies in its portfolio as at March 31, 2005, the economic impact of the increase in their annual sales that was made possible by investments financed by the Corporation in previous years. The ISQ's model evaluates the workload that the realization of these sales represents in the economy, as well as the government revenues generated by salaries.

Yves Dion, an economist, and Régis Fortin, professor of finance at the Université du Québec à Rimouski, then analyze the results of the economic impact evaluation conducted by the ISQ.

Validations eliminate double counting, notably for companies that benefited from more than one program. The economic impact, as reflected in jobs, added value and Québec government revenues, is presented by program, sector and region. Given the composition of Investissement Québec's portfolio, the level of economic impact can vary from one year to the next, based on the turnover of companies (entering or leaving the portfolio) and not only on their performance or on economic conditions.

Attribution of the Impact of Investissement Québec

Investissement Québec does not take credit for all the tax and incidental tax revenues generated by the investment projects and sales of its clients. Since its action must complement that of financial institutions, the attribution model takes into account only the portion of this impact generated by companies whose financial structure exceeds the risk threshold usually tolerated by traditional lending institutions. For economic development tools, such as the FAIRE and PASI programs and government mandates, the Corporation takes credit for the impact in proportion to the probability that the projects supported would not have been implemented without its intervention or that they would have been implemented outside Québec.

In any event, the impact is weighted by various criteria so that Investissement Québec is credited only with projects that are likely to generate a net gain for the economy, without taking into account projects that lead only to a slight shift of jobs in the economy.

The model is based on objective evaluations, founded on a rating system that compares a set of financial and economic parameters. The methodology and overall results have been presented on many occasions, notably to the Association canadienne-française pour l'avancement de la science in 1997 and 1998, the Canadian Evaluation Association in 1999, the American Chamber of Commerce Research Association (ACCRA) in 2001, and the Association de science régionale de langue française in 2002. In fact, the ACCRA gave Investissement Québec an excellence award in June 2004 for its methodology for evaluating the impact of its financing operations in major projects.

Financing and Fiscal Products Managed by Investissement Québec

SMB Financial

Loan or loan guarantee to help finance investment, innovation, strategic alliance or export projects carried out by small and medium-sized businesses in the manufacturing, propulsive service and tourism sectors. This program allows companies in need of liquidity to temporarily finance tax credits to which they are entitled under the prevailing tax measures.

Program to Promote the Financing of Group Entrepreneurship

Program intended to promote the creation, maintenance and development of enterprises in the social economy by means of financial assistance for non-profit organizations or cooperative enterprises or their subsidiaries.

Program to Promote the Capitalization of Social Economy Enterprises

Program to support the capitalization of non-profit organizations or cooperative enterprises.

Strategic Support for Investment Program (PASI)

Financial support program designed to support developmental or strategic investment projects as well as the development of products in Québec with a view to increasing productivity and creating jobs. It allows companies to benefit from a refundable or non-refundable financial contribution or to obtain a loan guarantee to help them implement their projects.

Private Investment and Job Creation Promotion Fund (FAIRE)

Financial support program designed to promote major investment and job creation. Through this program, companies can obtain a refundable, non-refundable or conditional-refund financial contribution, or a loan guarantee to help them implement their projects. This program was terminated on March 31, 2004.

Immigrant Investors Program – For Business Assistance

Program which seeks to foster economic development by investing in Québec companies some of the income generated by investments entrusted by immigrant investors to IQ Immigrants Investisseurs inc., a subsidiary of Investissement Québec.

Buyer-Credit

Loan guarantee specifically designed to support the sale of goods to foreign companies.

Program to Support Certain Suppliers and Subcontractors

Program designed to provide financial support to suppliers and subcontractors facing temporary financial difficulties due to the termination of the Papiers Gaspésia, Société en commandite plant project in Chandler.

Fiscal Measures

Evaluation of business eligibility applications and production of annual eligibility attestations or certificates for refundable tax credits.

Regional Economic Intervention Fund (FIER)

Fund designed to help companies obtain financing at the start-up and development stages. It also supports the creation of sector-based funds and the implementation of developmental projects, mainly in the regions.

Changes During the Year

Changes to Fiscal Measures and Financing Products

In the budget speech of March 30, 2004, a new financing program called the Strategic Support for Investment Program (PASI) was announced. This program, which came into effect on October 29, 2004, will enable Investissement Québec to contribute in different ways to investment projects for the diversification and consolidation of a sector and to projects for the development of products that stand out due to their innovative character and commercial potential. Each project must demonstrate that it is of strategic or developmental importance for a company. In addition, the financial participation is complementary to that offered by the private sector and other programs.

On March 30, 2004, following the report of the task force on the role of the Quebec government in venture capital, the government also announced the creation of the Regional Economic Intervention Fund (FIER), which is designed to help companies obtain financing at the start-up and development stages. It is also intended to support the creation of sector-based funds and the implementation of developmental projects, mainly in the regions. On December 15, 2004, Investissement Québec was entrusted with the responsibility of setting up and administering the government's participation in the FIER through a new subsidiary, which was incorporated on January 7, 2005 under the name of IQ FIER inc.

As regards fiscal measures, the moratorium on the accreditation of Québec Business Investment Corporations (QBICs) is still in effect. Moreover, companies that are eligible for various credits aimed at the regions (credits for processing activities in resource regions, for Gaspésie and other maritime regions in Quebec and for the Aluminum Valley) must now renew their eligibility attestation every year.

Finally, in the budget speech of March 30, 2004, Investissement Québec was entrusted with overall administrative responsibility for the tax benefits of the Montréal Foreign Trade Zone at Mirabel, which were previously assumed by the Minister of Finance. This transfer of responsibility took effect on December 22, 2004.

Code of Ethics of the Board of Directors

On June 17, 1998, the government adopted decree 824-98 on the ethics of public directors. Pursuant to this decree, the members of the Board of Directors of Investissement Québec adopted a Code of Ethics during their meeting of September 26, 2000. The code contains principles that reflect the Corporation's mission, its core values and general management principles.

General Provisions

1. This code applies to any person appointed to the Board of Directors of Investissement-Québec.

2. The members adhere and contribute to the fulfillment of Investissement Québec's mission, as described in section 25 of the *Act respecting Investissement Québec and La Financière du Québec* (R.S.Q., c. I-16.1), to wit:

   "The mission of the Corporation is to facilitate the growth of investment in Québec and thus contribute to the economic development of Québec and the creation of employment opportunities.

   "The Corporation centralizes and consolidates the actions of the State to seek out, promote and support investment, and shall become the main channel for communications with the enterprises concerned.

   "The Corporation strives to stimulate domestic investment and to attract investors from outside Québec. It promotes Québec among investors as a propitious location for investment, offers investors orientation services to guide them in their dealings with the Government, and provides them with financial and technical support.

   "The Corporation participates in the growth of enterprises, in particular by facilitating research and development and export activities.

   "The Corporation also works to retain current investment in Québec by providing support to enterprises established in Québec that show particular dynamism or potential."

3. The members adhere to the values and general management principles underlying Investissement Québec's activities: client focus, proactive approach, competence, commitment, integrity, efficiency and effectiveness.

Ethical Rules

4. Any member of the Board of Directors who notices, during a Board of Directors or Executive Committee meeting, that he is in conflict of interest must disclose the interest in writing to the Chairman of the Board, abstain from participating in any deliberation or decision relating to the subject of the conflict, and withdraw for the duration of the deliberation and vote relating to this matter.

5. A member shall avoid putting himself in a position where his personal interest conflicts with the obligations of his duties.

6. Any member who provides, or whose partner provides, professional services for a fee or other consideration to a company, shall abstain, throughout the period in which the services are provided, from communicating with the personnel of Investissement Québec in respect of any financial transaction involving this company and the Corporation. This prohibition is applicable during the year following the termination of the member's mandate.

7. A member may not be designated Investissement Québec managing director for a company.

8. Members shall exercise discretion regarding any information obtained as part of or while exercising their duties and shall at all times respect the confidential nature of such information.

   This obligation shall not prevent a member representing or related to a particular interest group from consulting or reporting to the group, except if the information is confidential under the law or if the Board of Directors requires that such information be kept confidential.

9. A member shall be in conflict of interest when he, his heirs or spouse have, to his knowledge, i) an interest in a client company of Investissement Québec that is a closed company within the meaning of the *Securities Act* (R.S.Q., V-1.1), ii) an interest of ten percent or more in the voting share capital of a client company of Investissement Québec that is not a closed company within the meaning of the *Securities Act* (R.S.Q., V-1.1).

10. A member shall be in conflict when the board is seized of a matter concerning his company, his competitor, the company of a client or that of a relation or a matter of a company that has received a letter of intent or a letter of offer from an entity of which he is a director or an employee.

11. A member shall not accept a gift or other benefits, unless they are customary or of modest value. Any other gift or benefit received shall be returned to the donor or remitted to Investissement Québec.

12. A member shall not, directly or indirectly, grant, solicit or accept a favour or undue benefit, for himself or a third party, from a company that has business relations with Investissement Québec.

13. A member shall, in making his decisions, avoid being influenced by job offers.

14. A member who no longer holds his position shall behave in a manner so as not to take undue advantage of his former position at Investissement Québec.

15. A member who no longer holds his position shall not disclose any confidential information he has obtained or give advice to anyone based on information that is not available to the public concerning Investissement Québec. This prohibition is applicable during the year following the termination of his mandate.

16. An ethics committee has been set up comprising three members appointed by the Board of Directors of Investissement Québec. This committee meets at the request of the Chairman of the Board of Investissement Québec to examine all matters referred to it by the Board of Directors and, where applicable, submits its report to the Board.

Statements Related to Various Regulations

Language Policy

The Corporation applies the language policy adopted by the Board of Directors on September 25, 2001, which is based on the *Charter of the French Language*, the government's language policy, the policy concerning government contracts and the policy regarding the use of French in information technologies.

Vice-Presidents' Compensation

In accordance with CT 196753, the compensation of Investissement Québec's vice-presidents must be disclosed to the public. The Corporation reports that the vice-presidents were compensated according to a pay scale ranging from a minimum of $89,361 to a maximum of $168,300.

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Drummondville
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Drummondville (Québec) J2C 7V3
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Gatineau
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Gatineau (Québec) J8Y 2V5
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Laval (Québec) H7T 2P5
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Longueuil (Québec) J4K 5G7
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Rimouski (Québec) G5L 7J9
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